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OVERSIGHT OF PRUDENTIAL REGULATORS

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OVERSIGHT OF PRUDENTIAL REGULATORS

Tuesday, December 2, 2025

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The committee met, pursuant to notice, at 10:11 a.m., in room 2128, Rayburn House Office Building, Hon. French Hill [chairman of the committee] presiding.

Present: Representatives Hill, Lucas, Huizenga, Wagner, Barr, Williams of Texas, Loudermilk, Davidson, Rose, Steil, Timmons, Stutzman, Meuser, Kim, Garbarino, Flood, Lawler, De La Cruz, Downing, Moore, Waters, Sherman, Meeks, Scott, Lynch, Green, Cleaver, Foster, Beatty, Vargas, Gottheimer, Gonzalez, Casten, Tlaib, Torres, Garcia, Williams of Georgia, Fields, Bynum, and Liccardo.

Chairman HILL of Arkansas. The Committee on Financial Services will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

The hearing is entitled, "Oversight of the Prudential Regulators."

Without objection, all members will have 5 legislative days within which to submit extraneous materials to the chair for inclusion in the record.

I now recognize myself for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. FRENCH HILL, CHAIRMAN OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM ARKANSAS

Good morning. I want to welcome our witnesses and thank them for joining us today. Today's hearing is an opportunity for the committee to discuss the recent work of our prudential regulators and to highlight the strong alignment between their current approach under the Trump Administration and our agenda here in the committee to make community banks, all depository institutions of all sizes, great again. Our shared objective is to ensure that regulatory policy supports the needs of the banks and credit unions that serve the hardworking Americans across this country. The supervisory and regulatory developments, rulemakings, and activities of the prudential regulators that we will highlight in today's hearing underscore that shared vision.

Together we can reduce the duplicative or untailored burdens on financial institutions of all sizes to ensure that they can continue to thrive in an increasingly competitive market. This hearing is about enhancing clear, tailored rules of the road, fostering competi-

tion, and ultimately serving the best interests of consumers and businesses. Committee Republicans have been working alongside the Trump Administration from day one to ensure that community banks remain viable, competitive, and able to serve the needs of our local communities. To achieve our mutual goals, it is crucial that prudential regulators remain focused on their core mission to safeguard the fundamental stability, safety, and soundness of our financial institutions rather than on trendy distractions that prioritize progressive climate agendas or diversity, equity, and inclusion (DEI) initiatives. That is why our committee's legislative and oversight agenda and the Trump Administration are collaborating in leading the charge to shift our regulatory approach and return prudential supervision to this core mission.

We saw what happened with the failure of Silicon Valley Bank when supervisors failed to keep their focus on the obvious, in-plain-sight material financial risks. This hearing will also emphasize the important reversal of costly, ill-conceived Biden-era regulations and guidance, which would drive up costs and drive access for services down for American homebuyers and small businesses, most notably the original Basel III Endgame proposal. I am proud of the work that the committee has done to advance legislation to provide clarity for the digital assets marketplace, streamline supervision, increase access to capital and deposit funding, ensure a fair supervisory appeals process, and establish a timely merger review process, among many others. It is critical that we continue this momentum toward transparent regulatory certainty and broader market competition. Clear, consistent rules reduce compliance costs for banks and credit unions. When these institutions can navigate regulations without ambiguity, they can allocate their resources more effectively, making loans cheaper and investing in customer service, technology, and innovation that benefits our entire economy.

This committee has held numerous hearings throughout the 119th Congress to learn about how the actions of the regulators are affecting community banks and credit unions and their ability to serve our customers. We have heard time after time about the positive developments occurring at your agencies, as well as further ideas about rightsizing the supervisory and regulatory environment. As in the past, this Congress must find modern ways to enact effective and clear guidelines and expectations to enable financial institutions to operate in an increasingly diverse and dynamic financial system. I look forward to your testimony today, and I yield back the balance of my time.

I now with pleasure recognize the ranking member of the committee, Ms. Waters, for a 4-minute opening statement.

OPENING STATEMENT OF HON. MAXINE WATERS, RANKING MEMBER OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM CALIFORNIA

Ms. WATERS. Thank you very much, Mr. Chairman. Thank you to our witnesses for being here today.

During the Thanksgiving break, a lot of us heard the same thing from our constituents: buying the groceries for Thanksgiving dinner was much, much more expensive this year. On top of that, Trump's weakening economy is squeezing families so much that

many are concerned that they will need to pull back on holiday spending. After all, did Trump not say that the children only need two dolls, and that the two dolls might cost more? With economic policies like these, Donald Trump is "The Grinch Who Stole Christmas," but Democrats are not the only ones raising alarms. Republican representative, Marjorie Taylor Greene, who until recently was a die-hard Trump supporter, acknowledged that under the Trump Administration the cost of living has become unbearably high. Corporate interests are prioritized over the needs of the working class. Small businesses are hurting, and the American Dream is slipping out of reach. We were all promised lower costs on day one of Trump's term. Instead, his administration is dismantling the very institutions that keep costs low and the economy stable, including by undermining the independence of the Federal Reserve and forcing independent agencies to serve his personal interests. Americans were promised a reduction in credit card interest payments. Instead, Trump and the Republicans are unlawfully shutting down the Consumer Financial Protection Bureau, the only Federal Agency focused on making sure that Big Banks and other financial institutions treat Americans fairly.

As if that were not enough, Russell Vought, who has told private audiences of his plan to illegally end the Consumer Financial Protection Bureau (CFPB), announced last month that CFPB examiners will be forced to recite a so-called humility pledge, essentially forcing them to bow down to Big Banks before daring to carry out their jobs to examine them. While I am happy that our committee is following the law to finally have what should be a semiannual hearing with the Federal Reserve (Fed) vice chair of supervision, I remind Chairman Hill that it has been 18 months since the CFPB director last testified before this committee, a delay which is wholly unacceptable.

I am concerned that our bank and regulators have been anything but independent, prioritizing Trump's deregulatory policies that will leave our banking system vulnerable to another Silicon Valley Bank-type failure, if not worse, but it is not just handouts to mega banks. The Trump family has spent more time putting money into their own pockets than working for the American people. In fact, Trump and his family have received nearly $2 billion in cash, gifts, and crypto profits while our regulators work on crypto rules that could legitimize this corruption. We all know the adage that silence is complicity, and I am deeply disappointed by the ways in which my colleagues on the other side of the aisle have remained silent and enabled this President's policy.

I hope each of our banking regulators were here today assert your independence and help us navigate out of this mess before it is too late. I yield back.

Chairman HILL of Arkansas. The gentlewoman yields back. I recognize the chair of our Subcommittee on Financial Institutions, Mr. Barr of Kentucky, for a 1-minute opening statement.

STATEMENT OF HON. ANDY BARR, CHAIRMAN OF THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS, A U.S. REPRESENTATIVE FROM KENTUCKY

Mr. BARR. Thank you to our witnesses today. It is encouraging to see new leadership at prudential regulatory agencies committed to reevaluating needless burdens on our financial institutions. For years, Congress and our financial regulators have set regulatory thresholds intended to align oversight with actual risks to financial stability, but because these thresholds are often static, they inevitably sweep in more institutions as the economy grows, capturing firms that were never intended to be treated like the largest, most complex banks. That is why I have introduced legislation, the Transition Improvement by Estimating Risk (TIER) Act of 2025, to index these thresholds to nominal Gross Domestic Product (GDP), preserving rigorous requirements where they belong, while preventing regulatory bracket creep that divert resources away from communities, small businesses, and farmers.

Additionally, as you finalize the Basel III Endgame, it is critical to ensure U.S. capital standards are risk based, evidence driven, and supportive of credit availability. Gold plating international standards and massively hiking capital requirements would restrict lending, reduce market liquidity, and weaken, not strengthen, our financial system. I urge prudential regulators to work with Congress toward a framework that is transparent, analytically sound, and aligned with the realities of a growing economy. I yield back.

Chairman HILL of Arkansas. The gentleman yields back. I recognize the ranking member of our Subcommittee on Financial Institutions, Dr. Foster of Illinois, for a 1-minute opening statement.

STATEMENT OF HON. BILL FOSTER, RANKING MEMBER OF THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS, A U.S. REPRESENTATIVE FROM ILLINOIS

Mr. FOSTER. Thank you, Chair Hill and Ranking Member Waters. The panel before us today has the important responsibility of supervising our banking system, not only for known risks, but also emerging risks that threaten the stability of the American financial system. As the ranking member of the Financial Institutions Subcommittee, but also as a member who joined Congress in March 2008 on the eve of the financial crisis, I understand the damage that not only old risks, like excessive risk taking and hitting leverage, can cause, but also modern, innovative, yet untested financial products can have if they are allowed to operate unchecked. Your agencies will have to adapt to a rapidly changing financial system and ensure that stability and innovation go hand in hand.

Innovative financial products and digital assets, private credit, third-party technology firms, and developments like generative AI will quickly change how financial institutions and their customers behave and how they manage risk. We have already seen that in the 2023 banking crisis, the collapse of the financial technology (fintech), Synapse, and recently, the failure of critical infrastructure in my district that disrupted the commodities market. So, I look forward to this important discussion of modern prudential regulation and look forward to hearing how your agencies plan to

adapt to these changes in the financial system. Thank you. I yield back.

Chairman HILL of Arkansas. The gentleman yields back. Today, we welcome the testimony of Hon. Michelle Bowman, vice chairman for supervision for the Board of Governors of the Federal Reserve System; Hon. Jonathan Gould, comptroller of the currency; Hon. Kyle Hauptman, chairman of the National Credit Union Administration; and Hon. Travis Hill, acting chairman of the Federal Deposit Insurance Corporation. We thank each of you for joining us today. Each of you will be recognized for 5 minutes to give an oral presentation of your testimony.

Without objection, your written statements will be made part of the record.

Vice Chair Bowman, you are now recognized for 5 minutes.

STATEMENT OF HON. MICHELLE BOWMAN, VICE CHAIR FOR SUPERVISION, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Ms. BOWMAN. Chairman Hill, Ranking Member Waters, and other members of the committee, thank you for the opportunity to testify on the Federal Reserve's supervisory and regulatory activities. I will focus on the current state of the banking sector and progress on my priorities as the vice chair for supervision.

The banking system remains sound and resilient. Banks continue to report strong capital ratios and significant liquidity buffers, which position them well to support economic growth. We are seeing continued growth in bank lending, a decline in non-performing loans across most categories, and strong profitability. Notably, though, nonbank financial institutions continue to increase their share of the total lending market, providing strong competition to regulated banks without facing the same prudential standards. To compete effectively with nonbanks on both payments and lending, the Fed is encouraging banks to innovate to improve their products and services. We are working together with the other regulators to develop regulations for stablecoin issuers, as required by the GENIUS Act. We also need to provide clarity on digital assets to ensure that the banking system is well placed to support these activities.

The Fed is working to tailor our regulatory and supervisory framework to accurately reflect the risk that different banks pose to the financial system, particularly community banks. We cannot continue to push policies designed for the largest banks down to the smaller, less risky and less complex banks. I support congressional efforts to reduce burden on community banks, including increasing static and outdated statutory thresholds that have not been updated for years. I also support improvements to the anti-money laundering (AML) framework that will assist law enforcement while minimizing unnecessary regulatory burden.

The Fed is taking action to support community banks. Together with the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), we recently proposed changes to the community bank leverage ratio to provide greater flexibility while preserving strong capital and safety and soundness. We also released new capital options for mutual banks. We

are exploring streamlining the merger and acquisition and de novo chartering application processes for smaller banks and updating the Board's merger analysis to accurately reflect and analyze competition among small banks. We are also in the process of modernizing and simplifying the Fed's regulation of large banks. The Board recently released a proposal to enhance public accountability and to ensure robust outcomes of our stress tests. The proposal includes disclosing stress test models, the design framework, and the 2026 scenarios. It ensures that future significant changes will benefit from public input.

The Agency has recently finalized changes to the enhanced supplementary leverage ratio (eSLR) proposal for U.S. Global Systemically Important Banks (G-SIBs), which helps ensure that leveraged capital requirements serve as a backstop to risk-based capital requirements as it was originally intended. The Board is working on a proposal with the OCC and the FDIC to implement the 2017 Basel agreement. This will reduce uncertainty and provide clarity on capital requirements. We are considering each of the elements rather than reverse engineering changes to achieve predetermined outcomes. As a part of this proposal, we are considering approaches to differentiate mortgage risks that will benefit the banking system as a whole.

The Fed is also working to refine the G-SIBs' surcharge framework. The surcharge must be calibrated to avoid impairing the banking sector's ability to support the broader economy. Effective supervision must focus on factors that affect the bank's financial condition, including material risks to bank operations and the stability of the broader financial system, not immaterial issues that distract from core safety and soundness. This requires a risk-focused, tailored approach to supervision and regulation. The Fed is considering a regulation to clarify standards for enforcement actions based on unsafe and unsound practices, matters requiring attention, and other supervisory findings. Focusing our resources on material issues that historically have correlated to bank failures will create a more effective oversight system.

The capital adequacy, asset quality, management, earnings, liquidity, and sensitivity (CAMELS) framework is also under review, as is the bank examiner training program. Establishing clear metrics for CAMELS components ensures transparency and objectivity in our examinations, and enhancing examiner training will improve our supervision. In addition, the Board recently finalized revisions to the large bank rating system that addresses the mismatch between ratings and overall firm conditions. Further, the Board removed reputational risk from our supervision, and we are considering a regulation to prevent supervisory influence from leading banks to debank a customer due to their constitutionally protected political or religious beliefs or a business engaged in legal activities. Banks must remain free to make their own risk-based decisions to serve individuals and lawful businesses without interference.

Thank you again for the opportunity to appear before you today. The Fed is in the pre-Federal Open Market Committee (FOMC) blackout period, so I will not be able to discuss monetary policy

during today's hearing. With that in mind, I look forward to your questions. Thank you.

[The prepared statement of Ms. Bowman follows:]

Scheduled for delivery at:
10:00 a.m. EST
December 2, 2025

Statement by

Michelle W. Bowman

Vice Chair for Supervision

Board of Governors of the Federal Reserve System

before the

Committee on Financial Services

U.S. House of Representatives

December 2, 2025

Chairman Hill, Ranking Member Waters, and other members of the Committee, thank you for the opportunity to testify on the Federal Reserve's supervisory and regulatory activities.

My testimony today will focus on two areas. First, the current state of the banking sector, as detailed in the fall 2025 *Supervision and Regulation Report*, which accompanies my submission to the Committee. Second, progress on my priorities as Vice Chair for Supervision since my confirmation earlier this year. My priorities relate to the efficiency, safety and soundness, and stability of our financial system and the effectiveness and accountability of our regulation and supervision of that system. The financial sector plays a critical role in our economy because it serves as an essential intermediary to channel savings into productive investments and enable the flow of money, credit, and capital throughout the economy. Our supervision and regulation must support a safe and sound banking system that fosters economic growth while also safeguarding financial stability.

Banking Conditions

Let me begin by providing an update on banking conditions. As the *Supervision and Regulation Report* shows, the banking system remains sound and resilient. Banks continue to report strong capital ratios and significant liquidity buffers, which position them well to support economic growth. The overall health of the banking sector is demonstrated by continued growth in lending, a decline in non-performing loans across most categories, and strong profitability. Notably though, nonbank financial institutions continue to increase their share of the total lending market, providing strong competition to regulated banks without facing the same capital, liquidity, and other prudential standards.

Regulated banks must be empowered to compete effectively with nonbanks that are challenging banks on both payments and lending. To that end, the Federal Reserve is

encouraging banks to innovate to improve the products and services they provide. New technologies can create a more efficient banking sector that expands access to credit while also leveling the playing field with fintech and digital asset companies. We are currently working with the other banking regulators to develop capital, liquidity, and diversification regulations for stablecoin issuers as required by the GENIUS Act. We also need to provide clarity in treatment on digital assets to ensure that the banking system is well placed to support digital asset activities. I think this includes clarity on the permissibility of activities, but also a willingness to provide regulatory feedback on proposed new use cases. As a regulator, it is my role to encourage innovation in a responsible manner, and we must continuously improve our ability to supervise the risks to safety and soundness that innovation presents.

Prioritizing Community Banking Issues

One of the Federal Reserve's goals is to tailor our regulatory and supervisory framework to accurately reflect the risk that different banks pose to the financial system. Community banks are subject to less stringent standards than large banks, but there remains more opportunity to tailor regulations and supervision to the unique needs and circumstances of these banks. We cannot continue to push policies and supervisory expectations designed for the largest banks down to smaller, less risky, and less complex banks.

In this regard, I support efforts by Congress to reduce burden on community banks. I support increasing static and outdated statutory thresholds, including asset thresholds, that have not been updated for years. Asset growth due, in part, to inflation over time has resulted in small banks becoming subject to laws and regulations that were intended for much larger banks. I also support improvements to the Bank Secrecy Act and anti-money-laundering framework that will assist law enforcement while minimizing unnecessary regulatory burden that disproportionately

falls on community banks. As an example, the thresholds for Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) have not been adjusted since they were established, despite decades of significant growth in the economy and financial system. These thresholds should be updated to more effectively focus resources on those transactions and activities that truly are suspicious.

Where possible, the Federal Reserve is taking its own actions to further tailor regulatory and supervisory measures to support community banks in more effectively serving their customers and communities. We recently proposed changes to the community bank leverage ratio to provide community banks greater flexibility and optionality in their capital framework while preserving safety and soundness and the capital strength of the banking system. This enables community banks to focus on their core mission: stimulating economic growth and activity through lending to households and businesses. We also recently released new capital options for mutual banks, including capital instruments that could qualify as tier 1 common equity or as additional tier 1 equity. We are open to further refinement of these options and look forward to feedback.

It is also time to more effectively tailor the merger and acquisition (M&A) and de novo chartering application processes for community banks. We are exploring streamlining these processes and updating the Federal Reserve Board's (Board's) merger analysis to accurately consider competition among small banks. Now is the time to build a framework for community banks that recognizes their unique strengths and supports their critical role in providing financial services to businesses and families throughout the United States.

Effective regulatory frameworks are an essential operational foundation for our ability to effectively supervise financial institutions. We are in the process of conducting our third

Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) review to eliminate outdated, unnecessary, or overly burdensome rules. My expectation is that—unlike previous EGRPRA reviews—this review will create substantive change. This type of regular assessment should be an ongoing aspect of our work. A proactive approach will ensure that regulations are responsive and adaptable to the evolving needs of, and conditions in, the banking sector.

Regulatory Agenda for Large Banks

We are also modernizing and simplifying the Federal Reserve's regulation of large banks. The Board is considering modifications to each of the four pillars of our regulatory capital framework for large banks: stress testing, the supplementary leverage ratio, the Basel III framework, and the global systemically important banking organization (G-SIB) surcharge.

Stress testing. The Board recently released a proposal to enhance public accountability and ensure robust outcomes of our stress testing framework and practices. The proposal includes disclosure of the stress test models, the framework for designing stress test scenarios, and the scenarios for the 2026 stress tests. It reduces volatility and balances model robustness and stability with full transparency. It also ensures that any future significant changes to these models will benefit from public input prior to implementation.

Supplementary leverage ratio. The banking agencies recently finalized changes to the enhanced supplementary leverage ratio proposal for U.S. G-SIBs.[1] These changes help ensure that leverage capital requirements serve primarily as a backstop to risk-based capital requirements, as originally intended. When the leverage ratio generally becomes the binding constraint, it discourages banks and dealers from engaging in low-risk activities, including

[1] Board of Governors of the Federal Reserve System, "Agencies Request Comment on Proposal to Modify Certain Regulatory Capital Standards," press release, June 27, 2025, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250627a.htm.

holding Treasury securities, because the leverage ratio assigns the same capital requirement across both safe and risky assets.

Basel III. The Board, together with our federal banking agency colleagues, has taken steps to advance Basel III in the United States. Finalizing Basel III is an important act of closure for the banking sector, reducing uncertainty and providing clarity on capital requirements, enabling banks to make better-informed business and investment decisions. My approach is to address the calibration of the new framework from the bottom up, rather than reverse engineer changes to achieve pre-determined or preconceived approaches to capital requirements. Modernizing capital requirements to support market liquidity, affordable homeownership, and the safety and soundness of banking is an important goal of these changes. In particular, the capital treatment of mortgages and mortgage servicing assets under the U.S. standardized approach has resulted in banks reducing their participation in this important lending activity, potentially curtailing access to mortgage credit. We are considering approaches to more granularly differentiate the riskiness of mortgages with benefits extending to financial institutions of all sizes, not just the largest banks.

G-SIB surcharge. In addition, the Federal Reserve is working to refine the G-SIB surcharge framework in coordination with broader capital framework reform efforts. It is essential that our comprehensive framework strikes the right balance between safety and soundness, ensuring financial stability and promoting economic growth. The surcharge must be carefully calibrated to avoid inadvertently inhibiting the ability of the banking sector to support the broader economy. We must maintain a robust financial system without imposing unnecessary burdens that impede economic growth.

Supervision

I will now turn to the Federal Reserve's supervisory program. Over the last seven years, I have consistently emphasized the importance of transparency, accountability, and fairness in supervision. These principles guided my approach as a state banking commissioner, and they continue to guide my approach today. I also remain focused on the Board's responsibility to promote the safe and sound operations of banks and the stability of the U.S. financial system.

An effective supervisory framework must focus on those factors that affect a bank's financial condition including material risks to bank operations and to the stability of the broader financial system, not immaterial issues that divert attention from core safety and soundness. It must be risk-based by design, concentrating resources where risks are most consequential and tailoring oversight to each institution's size, complexity, and risk profile. I have consistently supported a risk-focused, tailored approach to supervision and regulations, and it is the direction I have provided to Federal Reserve examiners in recent guidance and also released publicly.[2]

As part of this effort, the Federal Reserve is also considering a regulation that would clarify the standards for enforcement actions based on an unsafe or unsound practice, Matters Requiring Attention (MRAs), and other supervisory findings based on threats to safety and soundness. Our revised framework will prioritize addressing substantive threats to banks rather than administrative deficiencies. By focusing our supervisory resources on material issues that historically have correlated to bank failures, we create a more effective and efficient oversight system that enhances financial stability.

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[2] See Board of Governors of the Federal Reserve System, "Federal Reserve Board Releases Information Regarding Enhancements to Bank Supervision," press release, November 18, 2025, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20251118a.htm.

Another step we are taking to address these concerns is through the review of our CAMELS framework, which has been in place since 1979 with minimal modification. The management ("M") component, for example, has been widely criticized as an arbitrary and highly subjective catch-all category. Establishing clear metrics and parameters for all of the components will ensure transparency and objectivity in our supervisory assessments. Bank ratings should reflect overall safety and soundness, not just isolated deficiencies in a single component. Prior to the recent modification of the Large Financial Institution (LFI) ratings system, banks have often been labeled as not "well managed" despite strong capital and liquidity positions. To address this shortcoming, the Board recently finalized revisions to the LFI ratings system that address the mismatch between ratings and overall firm condition.

In addition to sharpening the focus on financial risks, updating our ratings frameworks, and refining our supervisory tools, we are also reviewing our supervisory directives, reports and actions. Further, the Board officially ended the practice of using reputational risk in our supervisory program.[3] This change addressed legitimate concerns that supervision around an ambiguous concept like reputational risk could improperly influence a bank's business decisions. We are also considering a regulation to prevent Board personnel from encouraging, influencing or compelling banks to debank or refuse to bank a customer due to their constitutionally protected political or religious beliefs, associations, speech or conduct. Let me be clear: banking supervisors should never, and will not under my watch, dictate which individuals and lawful businesses a bank is permitted to serve. Banks must remain free to make their own risk-based decisions to serve individuals and lawful businesses.

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[3] See Board of Governors of the Federal Reserve System, "Federal Reserve Board Announces That Reputational Risk Will No Longer Be a Component of Examination Programs in Its Supervision of Banks," press release, June 23, 2025, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250623a.htm.

Thank you, again, for the opportunity to appear before you this morning. As you know, the Federal Reserve is currently in the pre-Federal Open Market Committee (FOMC) meeting blackout period during which FOMC members are not permitted to discuss monetary policy. Therefore, unfortunately, I will not be able to discuss monetary policy during today's hearing. With that in mind, I look forward to answering your questions.

Chairman HILL of Arkansas. I thank the vice chairman. Comptroller Gould, you are now recognized for 5 minutes for your oral remarks.

STATEMENT OF HON. JONATHAN GOULD, COMPTROLLER, OFFICE OF THE COMPTROLLER OF THE CURRENCY

Mr. GOULD. Chairman Hill, Ranking Member Waters, and members of the committee, thank you for the opportunity to appear before you. It is an honor to discuss the Office of the Comptroller of the Currency's work implementing the President's economic agenda by ensuring that America's Federal banking system is safe and sound and remains the world's most trusted, dynamic, and resilient.

Over 160 years ago, President Lincoln had a vision for a Federal banking system to serve this country and its economic ideals, and he empowered the OCC to oversee that system. Today, the OCC supervises more than 1,000 institutions that hold $6.7 trillion in assets, or roughly two-thirds of all U.S. commercial banking assets, and the GENIUS Act now extends our remit to certain payment stablecoin issuers.

In the years since the 2008 financial crisis, Washington too often sought to eliminate rather than manage risks, resulting in a less relevant and diverse banking system. Unelected bureaucrats discouraged prudent risk taking, stifled innovation, and drove credit out of reach for small businesses and communities. Far from ending too big to fail, the Dodd-Frank Act created the moat that supercharged the growth of the very largest banks and introduced too small to succeed. I intend to restore balance, reset our risk tolerance, focus supervision on material financial risks, and free banks to lend, invest, innovate, and grow responsibly. Community banks, in particular, will benefit from a better tailored, proportional framework that meets their specific needs.

We are ending the weaponization of finance. No American should be denied access to banking products and services because of political or religious beliefs or lawful business activity. We are currently implementing the President's executive order on guaranteeing fair banking for all Americans by reviewing the activities of the largest national banks and investigating complaints of alleged debanking. We have already proposed the rule to eliminate reputation risk from supervision, and we are intent on ensuring banks provide access to products and services based on objective, risk-based criteria, not politics or ideology.

The OCC support functions have degraded over the last 4 years, posing a risk to our ability to execute our statutory mission. Outward signs of this decline include the hiring of a fraudulent chief financial technology officer in 2022 and an email data breach that took nearly 2 years to identify and halt. Upon arriving at the Agency in mid-July, it became clear that these two issues were symptomatic of others, and fixing Agency operations became a top priority for me. To that end, we are working to ensure accountability for these failures and to recruit qualified and competent individuals. Supervision must be clear, credible, and consequential. We are cutting away procedural clutter and returning to risk-based supervision rooted in law, with an emphasis on examiner judgment, not

arbitrary checklists. Examiners will focus on issues that materially affect banks' safety and soundness. We are also codifying reforms to the matters requiring attention process, clarifying enforcement standards, and ensuring supervisory tools are used proportionately and predictably.

The OCC is working with our interagency partners to re-propose the Basel III capital rulemaking and improve capital standards. We are evaluating opportunities to improve the Community Reinvestment Act framework, including developing a simplified strategic plan to ease compliance for community banks. We are also advancing the Bank Secrecy Act (BSA)/AML modernization and targeted burden relief for community institutions. These actions will make our regulatory architecture simpler, stronger, and more accountable.

Innovation has driven American finance from the telegraph to the blockchain. The GENIUS Act represents Congress' effort to integrate payment stablecoins safely into our regulated banking and financial system. The OCC is drafting rules that balance innovation with prudence. Beyond payment stablecoins, we continue to clarify new ways for banks to conduct the very old business of banking and adopt new technologies, like AI, to ensure these opportunities are available to all OCC-supervised banks, rather than a privileged few. We are modernizing OCC operations through technology, data, and AI, delivering more efficient supervision and lower assessment fees to create cost savings that flow back to banks, their customers, communities, and businesses.

The Federal banking system must remain dynamic, competitive, and fair. By providing a path for banks to embrace new technologies in a safe and sound manner, ending politicized debanking, and modernizing supervision, we are ensuring the long-term relevance of the Federal banking system. We are restoring the OCC's historic balancing of prudence and progress. This is what Lincoln envisioned: a Federal banking system that serves every American, supports a thriving economy, and stands ready to meet modern challenges. Thank you.

[The prepared statement of Mr. Gould follows:]

For Release Upon Delivery
10:00 a.m. December 2, 2025

Statement of Jonathan V. Gould
Comptroller of the Currency

Before the

Committee on Financial Services
United States House of Representatives

December 2, 2025

The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily present the views of the President. *See* 12 U.S.C. § 250

Chairman Hill, Ranking Member Waters, and Members of the Committee, thank you for the opportunity to appear before you. It is an honor to discuss the Office of the Comptroller of the Currency's (OCC) work implementing the President's economic agenda by ensuring that America's federal banking system is safe and sound, and remains the world's most trusted, dynamic, and resilient.

Over 160 years ago, President Lincoln had a vision for a federal banking system to serve this country and its economic ideals, and he empowered the OCC to oversee that system. That vision remains our foundation and North Star: a system that fosters economic growth and adapts to change. Today, the OCC supervises more than 1,000 institutions that hold $16.7 trillion in assets, two-thirds of all U.S. commercial banking assets, and have nearly $90 trillion in assets under administration. With the passage of the GENIUS Act, our remit now extends to certain payment stablecoin issuers, enabling us to anchor an important financial innovation in a prudent regulatory framework and to ensure American dominance in a competitive global environment.

In the years since the 2008 financial crisis, Washington too often sought to eliminate, rather than manage, risks, resulting in a less relevant and diverse banking system. Unelected bureaucrats discouraged prudent risk-taking, stifled innovation, and drove credit out of reach for small businesses and communities. And the Dodd-Frank Act, far from ending too-big-to-fail, created the "moat" that supercharged the growth of the very largest banks and introduced too small to succeed. I am intent on restoring balance, resetting our tolerance for risk, focusing supervision on material financial risks, and freeing banks to lend, invest, innovate, and grow responsibly. Community banks, in particular, will benefit from a better tailored, proportional framework that reflects their critical role in local economies.

We are ending the weaponization of finance. No American should be denied access to banking products and services because of political or religious beliefs or lawful business activity. We are currently

implementing the President's Executive Order on Guaranteeing Fair Banking for All Americans by, among other things, reviewing the activities of the largest national banks and investigating complaints of alleged debanking. We have already proposed a rule to eliminate reputation risk from supervision, removing a tool used by previous Administrations to debank those groups or individuals whom they disfavored. We will be considering options for evaluating whether and to what extent non-financial factors may have influenced or impacted core banking functions such as credit underwriting practices. We are intent on ensuring banks provide access to banking products and services based on individualized, objective, risk-based criteria, not politics or ideology.

The OCC's support functions have degraded over the last four years, posing a risk to our ability to execute our statutory mission. Outward signs of this decline include the hiring of a fraudulent "Chief Financial Technology Officer" in 2022 and an email data breach that took nearly two years to identify and halt, compromising employee communications, bank data, and our credibility. Upon arriving at the agency in mid-July it became apparent that these two issues were the tip of the iceberg, and fixing agency operations became a top priority for me. To that end, we are working to ensure accountability for these failures and recruiting qualified and competent individuals to staff our operational functions. We are also working with the Treasury Department, our parent agency, to improve operational efficiencies in staffing and government contracting.

Supervision must be clear, credible, and consequential. We are cutting away procedural clutter and returning to risk-based supervision rooted in law with an emphasis on examiner judgment, not arbitrary checklists. Examiners will focus on issues that materially affect banks' safety and soundness. We are also codifying reforms to the "Matters Requiring Attention" process, clarifying enforcement standards, and ensuring supervisory tools are used proportionately and predictably.

The OCC is working with our interagency partners to repropose the Basel III capital rulemaking and improve capital standards such as the Enhanced Supplementary Leverage Ratio and Community Bank Leverage Ratio. The OCC is also evaluating opportunities to improve the Community Reinvestment Act framework, including developing a simplified strategic plan process for community banks to comply with the Act. These efforts share a common principle: regulation should safeguard the system, not smother it. We are also advancing BSA/AML modernization, and targeted burden relief for community institutions. Taken together, these actions will make our regulatory architecture simpler, stronger, and more accountable.

Innovation has driven American finance from the telegraph to the blockchain. The GENIUS Act represents Congress's forward-looking effort to integrate payment stablecoins safely into our regulated banking and financial system. The OCC is drafting rules that balance innovation with prudence. Beyond payment stablecoins, we continue to clarify new ways for banks to conduct the very old business of banking and embrace new technologies like AI, with the goal of ensuring these opportunities are available to all OCC-supervised banks that wish to take advantage of them rather than a privileged few. Innovation is also critical within the agency. We are modernizing OCC operations through technology, data, and AI, delivering more efficient supervision and lower assessment fees, to create cost savings that flow back to banks, their customers, communities, and businesses.

The federal banking system must remain dynamic, competitive, and fair. By providing a path for banks to embrace new technologies in a safe and sound manner, ending politicized debanking, and modernizing supervision, we are ensuring the long-term relevance of the federal banking system. And we are restoring the OCC's historic balancing of prudence and progress. This is what Lincoln envisioned: a federal banking system that serves every American, supports a thriving economy, and stands ready to meet modern challenges.

Chairman HILL of Arkansas. Thank you, sir. Chairman Hauptman, you are recognized for 5 minutes for your oral remarks.

STATEMENT OF HON. KYLE HAUPTMAN, CHAIRMAN, NATIONAL CREDIT UNION ADMINSTRATION

Mr. HAUPTMAN. Thank you. Chairman Hill, Ranking Member Waters, and members of the committee, thank you for the invitation to discuss the operations, programs, and initiatives of the National Credit Union Administration. I am grateful to President Trump for selecting me as the 13th Chair of National Credit Union Administration (NCUA). NCUA's mission is to enable access to financial services by facilitating safe, sound, and resilient credit unions.

The 4,300 credit unions in America serve over 143 million Americans with over $2 trillion in deposits. Federal credit unions serve in all 50 States, and 45 States have State-chartered credit unions, not to mention Guam, Puerto Rico, and U.S. Virgin Islands. The credit union movement was a grassroots effort to expand financial services and provide low-cost credit to groups and communities that were otherwise excluded from the financial system. The origins of the movement are driving the foundational difference between cooperative credit unions and banks.

Credit unions are owned by their member owners, and like all cooperatives in America, most of which are not credit unions, they do not have shareholders. Credit unions can only serve their members, other credit unions, and credit union organizations. By law, the types of financial services they offer face certain limits. The law caps the interest rate credit unions can charge at 18 percent. It is quite a bit lower than banks are allowed to charge. It limits the number of business loans and restricts their investment authority. Just as credit unions are unique among financial service providers as cooperatives, NCUA is a little bit distinct from our fellow regulators in that we are both the regulator and insurer for most credit unions. When acting as a regulator, the NCUA is charged with regulating, chartering, and supervising federally chartered credit unions. When acting as an insurer, we are charged with managing and protecting the Share Insurance Fund.

Both State and federally chartered credit unions are eligible for insurance from NCUA. In other words, for credit unions, NCUA is the OCC, FDIC, and the Fed all rolled into one, because in addition to being a regulator and insurer, we are also a source of emergency liquidity through the Central Liquidity Facility. The Central Liquidity Facility (CLF) provides member credit unions with a source of loans to meet their liquidity needs. NCUA must meet its statutory obligations with the awareness that over regulation can stifle innovation and growth in a way that could threaten the viability of the credit union system. Our regulatory activities must be fair and transparent. For example, we must avoid the perception and the reality of regulation through enforcement. I am proud that it is NCUA policy against no regulation by enforcement. Defined in very simple terms, in America, the sequence of events is write rule, then enforce.

It is worth noting that as an insurer, NCUA's incentives are aligned with the success of the credit unions we regulate. While the

Agency is not regulated by enforcement as a matter of practice or policy, we are proud to have an official public policy. It is on our website. It flows through the examiner manual, and it merely extends the same protections that our civil servants have under civil service law to the institutions that we regulate.

To right-size our approach to safety and soundness, the NCUA is doing several things to capitalize on the opportunities created by the Trump Administration to foster innovation. As a first priority, NCUA is reviewing its regulations to remove any that are obsolete, overly prescriptive, or unduly burdensome. We have a new strategic plan that guides our priorities through 2030, and a couple of months ago, we invited credit unions to share their ideas on how to strengthen the system or highlight future issues and tell us what they would change about our strategic plan. We are using that feedback to ground our planning for Main Street priorities. Our plan will focus on safety and soundness, protecting the fund, and creating space for credit unions to innovate responsibly, especially in leveraging artificial intelligence and digital assets.

My written testimony discusses the current state of the credit union system and provides an overview of the state of the Agency. It also details the work we are doing to empower credit unions and foster innovation. Thank you, Mr. Chairman. I look forward to the committee's questions.

[The prepared statement of Mr. Hauptman follows:]

10:00 a.m. Eastern
December 2, 2025

Statement by
The Honorable Kyle S. Hauptman
Chairman, National Credit Union Administration
before the U.S. House of Representatives
Committee on Financial Services

Oversight of Prudential Regulators

December 2, 2025

INTRODUCTORY REMARKS

Chairman Hill, Ranking Member Waters, and members of the committee, thank you for the invitation to discuss the operations, programs, and initiatives of the National Credit Union Administration (NCUA). I am grateful to President Trump, who bestowed a great honor to me when he selected me to serve as the 13th Chair of the NCUA.

NCUA's mission is to enable access to financial services by facilitating safe, sound, and resilient credit unions. Approximately 4,300 credit unions serve over 143 million Americans, representing more than $2 trillion in economic activity. Federal credit unions serve Americans in all 50 states and 45 states have state-chartered credit unions.

The credit union movement was a grassroots effort to expand access to financial services and provide low-cost credit to groups and communities that were otherwise unable to participate in the financial system. The origins of the credit union movement drive the foundational difference between credit unions and banks: credit unions are uniquely focused on their member-owners they serve, as like all cooperatives they do not have shareholders.

Credit unions are defined by their members through fields of membership structured around common bonds. Credit unions may serve only their members, other credit unions, and credit union organizations.

Statutory requirements govern the types of financial services they can offer and place limits on certain aspects of a credit union's operations. The law caps the interest rate credit unions can charge; limits the amount of member business loans credit unions can make; and restricts a credit union's investment authority.

Just as credit unions are unique among financial services providers, NCUA is distinct from our fellow regulators as we are both the regulator and insurer for most credit unions. When acting as a regulator, the NCUA is charged with regulating, chartering, and supervising federally chartered credit unions. When acting as an insurer, the NCUA is charged with managing and protecting the Share Insurance Fund. Both state and federally chartered credit unions are eligible for insurance coverage from NCUA.

In other words, for credit unions, we are the OCC, the FDIC, and the Federal Reserve all in one because, in addition to our role as regulator and insurer, we are also a source of emergency liquidity through the Central Liquidity Facility (CLF). The CLF provides member credit unions with a source of loans to meet their liquidity needs.

NCUA must meet its statutory obligations with awareness that overregulation can stifle innovation and growth in a way that could threaten the viability of the credit union system. Our regulatory activities must be fair and transparent: for example, we must avoid both the perception and the reality of regulation through enforcement.

It is worth noting that, as the insurer, NCUA's incentives are aligned with the success of the credit unions we regulate. While the agency has not regulated by enforcement as a matter of policy or practice, we recently published our policy that bars regulation by enforcement. We also released a statement reinforcing our commitment to hold credit unions to established, statutory requirements in a fair and transparent manner.

To right-size our approach to safety and soundness, NCUA is doing several things to capitalize on the opportunities created by the Trump Administration to foster innovation. As a first priority, NCUA is carefully reviewing its regulations to remove any that are obsolete, overly prescriptive, or unduly burdensome.

The agency is also developing a new strategic plan, which will guide our priorities through 2030. Last September, we invited credit unions to share their ideas on how to strengthen the credit union system, highlight future issues, and tell us what they would change about the most recent NCUA Strategic Plan. We are using that feedback to ground our planning in main-street priorities. Our strategic plan will focus on safety and soundness, protecting the Share Insurance Fund from undue risk, and creating space for credit unions to innovate responsibly, especially in leveraging artificial intelligence and cryptocurrencies.

My written testimony discusses the current state of the credit union system and provides an overview of the state of the agency. It also details the work we are doing to empower credit unions and foster innovation.

Thank you, Mr. Chairman. I look forward to the Committee's questions.

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STATE OF THE CREDIT UNION SYSTEM

Overall, the credit union system remains strong. NCUA is closely monitoring some indicators of potential stresses on credit union performance, including an increase in loan portfolio delinquencies.

Credit Union System Performance

As of June 30, 2025, the aggregate net worth ratio of federally insured credit unions was strong at 11.11 percent, an increase of 27 basis points over the past 12 months. Quarter-to-quarter asset growth has strengthened from 2.6 percent in the prior quarter to 5 percent. The credit union system's total assets were $2.4 trillion in the second quarter of 2025, while total outstanding loans were $1.7 trillion. Year-over-year share growth also grew from 2.6 percent in the second quarter of 2024 to 5 percent in the second quarter of 2025.

The industry's return on average assets improved compared with a year ago and remains sound at 0.76 percent. The net interest margin increased year-over-year due to an increase in loan yield and decreases in the cost of funds. Credit loss reserving expense remains elevated and increased year-over-year, but remains manageable.

Credit union loan performance data indicates some consumer financial stress. The delinquency rate for total loans and leases continued to rise on a four-quarter basis, increasing 6 basis points to 0.91 percent as of the second quarter of 2025. The rolling 12-month net charge-off rate was unchanged from its year-earlier level at 0.79 percent, near its highest level since late 2011, when consumers were recovering from the Great Recession.

The CAMELS rating system is used by financial regulators to guide allocation of resources in the supervision of federally insured credit unions based on six measures: capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. The lower the CAMELS rating, the stronger the credit union. As of the second quarter of 2025, more than 81 percent of federally insured credit unions (3,573 credit unions) have a composite CAMELS rating of 1 or 2. Of this, 2,206 are federally chartered and 1,367 are state chartered credit unions.

The credit union system remains strong, and credit unions are able to support their members' borrowing needs, which is evidenced in data on credit union mortgage lending.

Credit union mortgage lending strengthened over the year ending in quarter two in 2025 compared with the same period last year. While recent growth in credit union mortgage loan balances is still below pre-pandemic rates of increase—largely a reflection of weak home sales—credit unions have been successful in growing their mortgage loan books relative to other lenders.

The commercial real estate sector continues to show signs of stress, due in part to interest rates and occupancy levels. While the credit union system's exposure to commercial real estate lending is low, the NCUA continues to monitor individual credit unions with material exposure in this area.

Share Insurance Fund Performance

Backed by the full faith and credit of the United States, the Share Insurance Fund provides insurance coverage of up to $250,000 for individual accounts at federally insured credit unions. As of June 30, 2025, the Share Insurance Fund insured $1.83 trillion in total share deposits (the credit union version of bank deposits). Notably, the Share Insurance Fund protects about 90.5 percent of total share deposits in the credit union system. In comparison, uninsured shares equaled nearly $192.7 billion as of June 30, 2025, or 9.5 percent of total shares.

As of June 30, 2025, the Share Insurance Fund reported a year-to-date net income of $161.8 million and a net position of $22.9 billion. The equity ratio as of June 30, 2025, was sound at 1.28 percent, and is expected to end the year at 1.30 percent, slightly below the 1.33 percent normal operating level target set by the NCUA Board.[1] As of June 30, 2025, the Share Insurance Fund's overnight investments balance was $5.5 billion. The NCUA Board continues to prioritize safety and liquidity in the Share Insurance Fund.

State of the Central Liquidity Facility

NCUA's Central Liquidity Facility (CLF) supports a participating credit union's ability to manage liquidity risk in all economic environments, especially during times of systemic stress and reduced liquidity. The CLF has 450 credit union members, providing $22 billion in lending capacity to its members, which purchase stock in the CLF. These credit unions range in asset size from less than $50 million to more than $20 billion. The CLF helps protect approximately $400 billion in credit union members' assets.

Under NCUA's regulations, credit unions with assets of $250 million or more are required to maintain access to a contingent federal liquidity source—the CLF, the Federal Reserve's Discount Window, or both—as part of their contingency funding plan. Credit unions with less than $250 million in assets are not required to have membership with a contingent federal liquidity source; however, they must identify external sources of liquidity as part of their policies or contingency funding plan.

[1] The equity ratio is the overall capitalization of the Share Insurance Fund to protect against unexpected losses from the failure of credit unions. When the equity ratio falls below 1.20 percent or is projected to fall below 1.20 percent within six months, the Federal Credit Union Act requires the NCUA Board to assess a premium or develop a restoration plan for the fund. When the equity ratio exceeds the normal operating level and the available assets ratio exceeds 1.00 percent at year-end, the Share Insurance Fund pays a distribution.

Agent members of the CLF are corporate credit unions that act as intermediaries for the CLF, providing access to the CLF's liquidity for natural person credit unions within their networks. These corporate credit unions manage the capital stock subscriptions and liquidity needs on behalf of their member credit unions, which are not direct members of the CLF. This arrangement allows the CLF to extend loans to more credit unions, bolstering the stability of the broader credit union system, especially for smaller credit unions.

STATE OF NCUA

In compliance with the applicable legislation, Executive Orders, and guidance from OPM, the NCUA is in an era of rapid transformation, both within our workforce and structurally. Our implementation of a voluntary separation program has created the room to rebalance our staff-to-management ratio. Under the voluntary separation program, nearly 23 percent of staff are leaving NCUA employment by the end of 2025. The agency expects to have fewer than 1,000 staff heading into 2026 and will continue to meet its core mission and support the administration's priorities through mission alignment, efficiencies, and technology.

These changes in staffing dovetail with a re-imagining of our organization. We are redefining operations by simplifying policies, refining processes, aligning staff with strategic priorities, and modernizing tools and technology to support NCUA's long-term success. As we resolve redundancies and focus on our core mission, we do so with a workforce that has actively chosen to be a part of NCUA's future.

Strategic Planning

Every four years, NCUA crafts a new strategic plan to guide the agency's actions and work for the next five years. We are currently working on the 2026-2030 Strategic Plan.

In September 2025, NCUA hosted its first-ever Strategic Plan Town Hall. The event was a focused discussion with representatives from credit unions, trades, leagues, and credit union service organizations. NCUA asked them to share feedback on what is working, how the NCUA can reduce the regulatory burden on credit unions, and what issues stakeholders foresee for the future of the credit union system.

NCUA believes in a collaborative approach to our work. We plan on releasing the 2026-2030 Strategic Plan in the New Year.

GENIUS Act Implementation

On July 18, 2025, President Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act into law. The GENIUS Act requires the development of a regulatory framework for payment stablecoins and provides pathways for regulation at both the federal and state level.

NCUA has done substantial work to implement the GENIUS Act and is committed to meeting all applicable deadlines. As required by law, NCUA is also coordinating implementation with the other primary federal payment stablecoin regulators.

Before the GENIUS Act passed, credit unions and their members were receptive to the avenues for convenience and efficiency promised by digital assets and distributed ledger technology. In 2021, NCUA issued guidance clarifying the authority of federally insured credit unions to offer a variety of digital asset services to their customers via third-party vendors. The agency clarified that it did not prohibit the use of emerging distributed ledger technologies.

Striking the balance between risk-aversion and optimism is always challenging, especially when it comes to rapidly evolving technology. NCUA's approach has been to ground ourselves in main-street pragmatism. Credit unions should expect a consistent approach to new technologies from their regulator, one that allows them the freedom to explore and use these technologies to benefit their members with the expectation that they are doing their due diligence to evaluate the risks and comply with applicable laws. This pragmatic and consistent approach to innovative technology has served NCUA and credit unions well as both navigate the rapidly evolving digital asset and legal environments.

EMPOWERING CREDIT UNIONS

Financial Innovation and Artificial Intelligence

The finance industry is evolving rapidly with the advances in AI, blockchain, and digital assets, including cryptocurrency. Credit unions face unique challenges in making the most of these rapidly evolving innovations.

As credit unions evaluate, implement, and manage various technologies, NCUA recognizes the importance of supporting them in these endeavors. To that end, the agency added an AI Resources page to our website in August 2025. The new webpage provides resources on AI-specific risk management considerations to help credit unions make informed decisions when implementing AI or partnering with AI service providers. Specifically, the webpage addresses AI implementation, risk management, data security, use cases, and cybersecurity risks. Whether a credit union is beginning to explore AI solutions or is seeking to enhance existing AI risk management practices, NCUA's AI resources page has information to support any stage of the AI integration process.

Helping Small Credit Unions Meet Challenges

Small credit unions are defined as those with less than $100 million in assets as of the previous calendar year's end, many which are minority depository institutions. NCUA offers a program to assist small credit unions with targeted resources to support their longevity.

All 437 credit unions that requested assistance in 2024 received help.

NCUA continues to develop resources, including free online training, to support small credit unions.

Chartering De Novo Credit Unions

Over the past several years, NCUA improved the chartering process by simplifying and clarifying the application process, and by establishing a provisional charter to expand applicants' options. The agency has chartered 18 new federal credit unions since 2020 and, in 2024, provided federal share insurance coverage for one new state-chartered credit union applicant.

In 2023, NCUA launched the provisional charter initiative to allow an applicant to receive a federal charter before it has obtained all the necessary capital. This helps organizers secure the funding needed to commence full operations. Under this initiative, the applicant agrees not to offer products and services until they have successfully raised sufficient capital to implement their approved business plan.

Two of the four groups selected to participate in the provisional charter initiative pilot program received federal charters in 2024. One group is working on its application, and the other explored the option to join another credit union.

NCUA continues to work on ways to make it easier to establish a federally chartered credit union.

RULEMAKING & REGULATORY RELIEF

NCUA's mission is to enable access to financial services by facilitating safe, sound, and resilient credit unions. We are reviewing the entirety of our regulations to focus on measurable and material risks, not on enforcing outdated and obsolete requirements. Removing outdated, overly prescriptive, and unduly burdensome requirements will allow credit unions to serve their memberships while NCUA focuses on risks to safety and soundness. The agency has identified several opportunities to revise or revisit its regulations. We look forward to providing more information on these efforts soon.

Chairman HILL of Arkansas. The gentleman yields back. Acting Chair Hill, you are recognized for your 5 minutes of oral remarks.

STATEMENT OF HON. TRAVIS HILL, ACTING CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. HILL. Chairman Hill, Ranking Member Waters, and members of the committee, thank you for the opportunity to testify today. I appreciate the opportunity to report on the FDIC's recent work to improve our regulatory and supervisory approach across a number of areas, while continuing to fulfill our core mission of insuring deposits, promoting the safety and soundness of banks, and resolving failed institutions.

Over the past 10 months, the FDIC has made significant progress in several areas, including reforming supervision so it is less process driven and more focused on core financial risks, engaging in a thoughtful review of our regulations, guidance, and manuals, reevaluating numerous aspects of our resolution and receivership management functions, and promoting the prudent adoption of innovative technologies in the financial services sector. My written statement provides greater detail in each of these areas, but I would like to briefly touch on each of them.

Regarding supervision, the FDIC is actively implementing changes to our supervisory process to reorient our focus more toward material financial risks and to improve other aspects of our supervisory framework. Among other things, we have issued a proposed rule, along with the OCC, that would define certain key terms related to supervisory criticisms, are working with Federal and State regulators on reforms to the CAMELS rating system, issued a proposal to establish an independent Office of Supervisory Appeals to adjudicate appeals of material supervisory determinations, and modified our continuous examination program, including by raising the threshold from $10 billion to $30 billion in assets, among other changes detailed in my written statement.

The FDIC has also been engaging in a thoughtful review of our regulations, guidance, and manuals, and we have already taken several significant steps. With respect to capital rules, we finalized a rule to modify the enhanced supplementary leverage ratio to help ensure that it serves as a backstop to risk-based capital requirements rather than as a frequently binding constraint, proposed targeted amendments to the community bank leverage ratio to expand eligibility and encourage more community banks to opt in, and are working with the Federal Reserve and OCC to modernize risk-based capital requirements, which includes implementation of the 2017 Basel agreement.

We have also finalized a rule to raise and index 37 regulatory asset thresholds, and we continue to evaluate other thresholds within our regulations to be included in one or more future proposals. We rescinded our 2024 statement of policy on bank mergers and continue to work on additional improvements to the merger review process and analytical framework, and we issued a proposed rule to significantly enhance the speed and clarity of the approval process for new branch openings, which we expect to finalize later this month. With respect to bank resolution, the FDIC has, among other things, modified our approach to resolution planning for in-

sured depository institutions based on lessons learned from the 2023 bank failures, conducted dozens of outreach meetings with banks in their capacity as potential failed bank acquirers as we seek to improve the bidding process and remove potential obstacles to lower cost bids, and implemented a number of internal operational improvements.

Throughout the course of the year, the FDIC has also taken a more open-minded approach with respect to banks that offer products and services related to digital assets, while maintaining our expectation that such activities are conducted in a safe and sound manner. Specifically, we rescinded the Biden-era prior notification requirement for digital asset activities, which served as a significant barrier to banks' participation in these activities, withdrew from several interagency joint statements, including one that suggested that use of public-distributed ledger systems was likely inconsistent with safe and sound banking practices, publicly released hundreds of pages of supervisory correspondence to provide transparency regarding the prior administration's misguided approach to digital assets, and have begun work to implement the GENIUS Act. In addition, we are also considering the recommendations included in the report issued in July by the President's Working Group on Digital Asset Markets, and we are currently developing guidance to provide additional clarity with respect to the regulatory status of tokenized deposits.

In closing, the FDIC will continue to work to drive economic growth and access to capital, while fulfilling our critical role in promoting a safe, sound, and resilient banking system. Thank you again for the opportunity to testify today, and I look forward to your questions.

[The prepared statement of Mr. Hill follows:]

STATEMENT BY

TRAVIS HILL
ACTING CHAIRMAN
FEDERAL DEPOSIT INSURANCE CORPORATION

on

"Oversight of Prudential Regulators"

before the

COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

December 2, 2025
2128 Rayburn House Office Building
Washington, DC

Introduction

Chairman Hill, Ranking Member Waters, and Members of the Committee, I am pleased to appear at today's hearing entitled "Oversight of Prudential Regulators." I appreciate the opportunity to report on the Federal Deposit Insurance Corporation's (FDIC) recent work to improve our regulatory and supervisory approach across a number of areas, while continuing to fulfill our core mission of insuring deposits, promoting the safety and soundness of banks, and resolving failed institutions.

Over the past ten months, the FDIC has made significant progress on reforming supervision so it is less process-driven and more focused on core financial risks; engaging in a thoughtful review of our regulations, guidance, and manuals; reevaluating numerous aspects of our resolution and receivership management functions; and promoting the prudent adoption of innovative and transformative technologies in the financial services sector. Going forward, we will continue to work to drive economic growth and access to capital, while fulfilling our critical role in promoting a safe, sound, and resilient banking system.

Supervision Reform

The FDIC and other federal banking agencies are responsible for promoting the safety and soundness of supervised banks. A key tool to achieve this objective is on-site examinations. The FDIC is implementing a number of changes to our supervisory process to reorient our focus more towards core, material financial risks, and away from risk management process, among other reforms.

Interagency Rulemaking on "Unsafe or Unsound" Practice

In October, the FDIC and the Office of the Comptroller of the Currency (OCC) issued a joint proposed rule that would define an "unsafe or unsound practice" for purposes of section 8

of the Federal Deposit Insurance Act (FDI Act), and would establish uniform standards for matters requiring attention and non-binding supervisory observations as part of the examination process.[1] By defining these key terms in a rule, the FDIC intends to ensure supervisory criticisms are focused on the issues most relevant to a bank's safety and soundness. The FDIC looks forward to receiving comments on the proposal.

Supervisory Appeals Process

In July, the FDIC proposed to establish an Office of Supervisory Appeals to adjudicate appeals of material supervisory determinations.[2] This Office would be a standalone entity within the FDIC, independent of the Divisions that make supervisory determinations, whose sole function is to resolve appeals. The Office would be staffed by reviewing officials who have a deep understanding of banking and direct experience with the supervisory process, with an objective of promoting an independent, apolitical, and consistent appeals process. By recruiting externally, the FDIC expects to attract impartial candidates who are less likely to have established relationships with individuals involved in the supervisory process. An appeals process with an independent body will also help ensure that examiners are applying policies consistently across the country. The FDIC expects to finalize its guidelines to establish the Office in the near future.

CAMELS Rating System

The FDIC is also working with the other members of the Federal Financial Institutions Examination Council (FFIEC) to review the Uniform Financial Institutions Rating System, more commonly known as the CAMELS rating system. This review is oriented toward refocusing the

[1] Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Unsafe or Unsound Practices, Matters Requiring Attention, 90 Fed. Reg. 48,835 (Oct. 30, 2025).
[2] Federal Deposit Insurance Corporation, Guidelines for Appeals of Material Supervisory Determinations, 90 Fed. Reg. 33,942 (July 18, 2025).

CAMELS rating system on material financial risks, including a reevaluation of the definitions of the component ratings. The FDIC is actively working with other FFIEC members to reevaluate the ratings definitions, with a goal to emphasize core financial risks while shifting away from an overemphasis on process-related issues that have little bearing on financial condition or solvency.

Streamlining the Examination Process

Earlier this year, the FDIC implemented changes to improve the efficiency of the examination process and the timeliness of supervisory feedback by simplifying internal procedures and reducing unnecessary documentation, particularly for well-rated community banks. We are also risk-focusing examination procedures, shortening reports, and reducing documentation for specialty reviews (such as anti-money laundering (AML) and information technology examinations). These changes will not impact or undermine the safety and soundness of supervised banks, but have improved the efficiency of our examination process. We are also evaluating potential options for implementing additional tailoring and streamlining for small banks with a history of being highly rated and well-capitalized.

Continuous Examination Process

The FDIC has historically supervised banks under either a point-in-time examination process or a continuous examination process. Prior to recent changes, nearly all FDIC-supervised banks with $10 billion or more in assets were subject to the continuous examination process, as were a small handful below $10 billion in assets. The FDIC recently raised the threshold for presumptive inclusion in the continuous examination process from $10 billion to $30 billion in assets, while retaining the ability to, on occasion, include a bank below $30 billion in assets if warranted. For banks between $10 billion and $30 billion in assets, the FDIC is now

applying a hybrid approach with additional attention compared to point-in-time institutions, but fewer reviews, fewer dedicated examiners, and more tailored monitoring than institutions in the continuous examination process.

Consumer Compliance Exam Frequency

In the area of consumer compliance, the FDIC is reducing the frequency of consumer compliance and Community Reinvestment Act (CRA) exams to approximately once every five years, with a midcycle review, for most institutions with less than $3 billion in assets. Specifically, institutions with between $350 million and $3 billion in assets that have a consumer compliance rating of 1 or 2 and a satisfactory CRA rating will be subject to a joint compliance and CRA examination approximately once every five years with a midcycle review. Banks with less than $350 million in assets that have a consumer compliance rating of 1 or 2 and a satisfactory CRA rating will be subject to a joint compliance and CRA examination approximately once every six years with a midcycle review.

Updated Standards for Termination of Cease-and-Desist and Consent Orders

In September 2025, the FDIC modified its policies and procedures for terminating cease and desist orders under Section 8(b) of the FDI Act.[3] The FDIC's policy now allows for termination of such orders when substantial compliance has been achieved, and the FDIC may deem an institution to have achieved substantial compliance with an order when it has satisfied the essential requirements of the order's purpose or objective, even if minor, isolated requirements have not been fully satisfied.

[3] Federal Deposit Insurance Corporation, The FDIC Updates its Enforcement Actions Manual regarding Minimum Standards for Termination of Cease-and-Desist and Consent Orders, FIL-42-2025 (Sept. 8, 2025).

Capital

Strong capital standards are critical to ensuring a resilient banking system, in which banks can withstand unexpected shocks and continue to serve their customers and communities. Setting capital requirements requires balancing a number of competing objectives, including both the safety and soundness and resilience of the banking system and the ability of banks to drive growth in the economy through a range of economic conditions. The FDIC has been pursuing adjustments to capital rules to ensure they appropriately balance these objectives.

Enhanced Supplementary Leverage Ratio

Last week, the FDIC, together with the Board of Governors of the Federal Reserve System (Federal Reserve) and the OCC, issued a final rule to modify the enhanced supplementary leverage ratio (eSLR) applicable to U.S. bank holding companies identified as global systemically important bank holding companies and their depository institution subsidiaries.[4] The final rule will help ensure that the eSLR serves as a backstop to risk-based capital requirements rather than as a frequently binding constraint, and will provide more capacity for these institutions to engage in low-risk activities that are critical to the functioning of the financial system, such as U.S. Treasury market intermediation and repo financing.

Community Bank Leverage Ratio

The FDIC, Federal Reserve, and OCC also issued a notice of proposed rulemaking (NPR) last week proposing targeted amendments to the community bank leverage ratio (CBLR).[5] The proposal would lower the CBLR requirement from 9 percent to 8 percent and extend the current

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[4] Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies.

[5] Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, Regulatory Capital Rule: Revisions to the Community Bank Leverage Ratio Framework.

two-quarter grace period to four quarters, while establishing a limitation on the amount of time a bank would be able to use the longer grace period to help ensure the grace period is not abused. The proposed changes are designed both to expand eligibility for the CBLR and to encourage community banks that are currently eligible but not participating in the framework to opt in, while still ensuring banks subject to the CBLR are subject to rigorous capital standards.

Modernizing Risk-Based Capital Requirements

The FDIC is also engaged in interagency work with the Federal Reserve and OCC to modernize risk-based capital requirements, including implementation of the 2017 Basel agreement. The FDIC seeks adjustments to capital rules that appropriately balance driving economic growth while ensuring safety, soundness, and resilience to shocks, and we are coordinating closely with our interagency colleagues with these principles in mind.

Resolution

Resolution Planning

In April 2025, the FDIC modified its approach to resolution planning for insured depository institutions (IDIs).[6] The purpose was to focus the process on the operational information most relevant for the FDIC to (1) resolve a large IDI through a weekend sale or (2) in the event a viable weekend sale proves unavailable, operate the institution for a short period of time while actively marketing it to potential acquirers.

Accordingly, for full resolution submissions during the current submission cycle, the FDIC exempted IDIs from the requirements to utilize a bridge bank strategy and a hypothetical failure scenario in the plan, as well as certain other content elements that can be obtained from

[6] Press Release, Federal Deposit Insurance Corporation, FDIC Modifies Approach to Resolution Planning for Large Banks (Apr. 18, 2025).

other sources or which were not of high value. At the same time, we retained elements related to an IDI's capability to quickly set up a virtual data room, which is key for potential acquirers to perform due diligence and offer competitive bids.

The changes described above were made through updated Frequently Asked Questions (FAQs). The FDIC is currently working on an NPR that will propose amendments to the IDI Rule, including codifying changes made by the FAQs.

Bidding Process

The FDIC has also taken steps to make bank resolution more efficient by modernizing the resolution process and improving our own capabilities. One area of focus has been improving the effectiveness of our failed bank marketing process, especially as it applies to large banks of the type which failed in 2023. Throughout the course of 2025, we conducted dozens of outreach meetings with financial institutions in their capacity as potential failed bank acquirers to seek their input on how to improve the bidding process and remove potential obstacles to lower-cost bids. We are using feedback from these meetings to enhance the quality of information we make available to bidders, improve the marketing process so that it can be deployed with increased speed and flexibility, and enhance the quality of bids received. Many institutions also stressed the need to be more transparent in our approach to marketing failed banks and maintain engagement even in times of relative calm, and we expect to take further steps in these regards.

Additionally, we continue to look for ways to increase competition in failed bank auctions by better enabling the participation of nonbank entities, either as direct bidders for failed bank assets or as partners with bank acquirers. One example of progress we have made in this area is the establishment of a seller-financing program for nonbank bidders, to provide them with similar transaction offerings as those available to bank bidders. The FDIC has also

developed a pre-qualification process for nonbank bidders, with the intent of qualifying them to bid in advance of any offering. We plan to pilot this pre-qualification process in early 2026 with nonbank bidders that have participated in recent failed bank auctions, and then expect to release the process and application publicly after incorporating feedback.

Internal Operational Improvements

At the same time, we have been working on a number of internal operational improvements. For instance, we have made improvements to our least-cost test model—which the FDIC uses to estimate the cost of different resolution options to determine which is the least costly to the Deposit Insurance Fund—improving the valuation capabilities for more complex transactions, reducing the need for manual inputs, and cutting the time needed to run the analysis from days to hours. We have also enhanced a range of other systems and reviewed mission-critical contracts to ensure that they can scale for the failure of larger and more complex institutions. Finally, to bolster staff preparedness, we have implemented a Large Bank Ready Reserve cross-training program to ensure our resolution divisions may tap resources within and across the Corporation during either a large bank resolution or a large volume of failures.

Recordkeeping

In March 2025, the FDIC published new and updated FAQs regarding the deposit recordkeeping and reporting requirements under Part 370 of the FDIC's rules. Among other things, these FAQs clarified that an IDI may certify its compliance with the rule if it can accurately calculate deposit insurance for substantially all of its deposit accounts not subject to exceptions provided for under the rule. These FAQs also clarified that minor recordkeeping deficiencies that do not impede an IDI's capabilities from accurately calculating deposit

insurance coverage will not result in a violation of the rule, provided that actions are being taken to address such deficiencies in a timely manner.

Thresholds

Last week, the FDIC issued a final rule to raise certain thresholds in FDIC regulations and regularly adjust these thresholds in the future to preserve their levels in real terms over time.[7] Among other thresholds, the final rule raises and indexes more than twenty thresholds found in Part 363 of the FDIC's regulations related to audit, internal control, audit committee composition, and related reporting requirements, and will help to provide a more durable regulatory framework by preserving the thresholds' value in real terms over time.

This final rule is the first of a multi-phase effort to reevaluate thresholds within the FDIC's regulations. This first phase is focused on thresholds that are within regulations issued only by the FDIC which are not set by statute and are relatively straightforward to adjust. The FDIC continues to evaluate other thresholds within its regulations to be included in one or more future proposals.

Bank Secrecy Act (BSA)

The FDIC has also been working to improve our BSA-related examinations and regulations. With respect to examinations, the FDIC implemented new examination procedures for low-complexity banks earlier this year, and we continue to look for ways to find greater efficiencies in our BSA examinations. Additionally, the FDIC continues to work with other federal financial institution regulatory agencies, the U.S. Department of the Treasury, and the Financial Crimes Enforcement Network (FinCEN) on broader BSA reforms, including changes

[7] Federal Deposit Insurance Corporation, Adjusting and Indexing Certain Regulatory Thresholds.

to the BSA Program Rule. Specifically, the agencies are drafting a forthcoming NPR to reform AML/countering the financing of terrorism (CFT) compliance obligations for financial institutions under the BSA. The agencies' intent is to improve outcomes from a law enforcement and national security perspective, and to reorient the AML/CFT regulatory and supervisory regime around the outcomes that an institution's reasonably designed AML/CFT program produces, rather than focusing on technical compliance with regulatory requirements. This objective, consistent with the Anti-Money Laundering Act of 2020, is to allow institutions to reallocate resources away from lower-value reporting to higher-value reporting in line with defined AML/CFT priority areas.

The FDIC has also taken steps to modernize our approach to customer identification program (CIP) requirements. On February 7, 2025, I sent a letter to FinCEN expressing support for allowing more flexibility with respect to certain CIP requirements for bank-fintech partnerships.[8] Following that letter, in June 2025, the FDIC, the OCC, and the National Credit Union Administration (NCUA), with the concurrence of FinCEN, issued an order granting an exemption from a requirement of the CIP Rule implementing Section 326 of the USA PATRIOT Act[9] to allow institutions to collect only the last four digits of a customer's taxpayer identification number (TIN) and then use a trusted third-party to verify the full nine-digit TIN.

In addition, in August 2025, the FDIC updated its supervisory approach to allow FDIC-supervised institutions to use pre-populated customer information for the purpose of opening an account to satisfy CIP requirements,[10] including information from current or prior accounts or

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[8] Press Release, Federal Deposit Insurance Corporation, Acting Chairman Travis Hill Expresses Support for Enhancing Flexibility with Respect to Customer Identification Program Requirements (Feb. 7, 2025).
[9] Federal Deposit Insurance Corporation, Customer Identification Program Rule Exemption from Collecting Taxpayer Identification Number Information from Customers, FIL-26-2025 (June 27, 2025).
[10] Federal Deposit Insurance Corporation, FDIC Supervisory Approach Regarding the Use of Pre-Populated Information for Purposes of Customer Identification Program Requirements, FIL-39-2025 (Aug. 5, 2025).

relationships involving the bank or third parties. These actions will allow institutions to take advantage of technology to make it easier to serve their customers.

Debanking

On August 7, 2025, President Trump issued an executive order (EO) holding that no American should be denied access to financial services because of constitutionally or statutorily protected beliefs, affiliations, or political views and that politicized or unlawful debanking should not be used as a tool to inhibit such beliefs, affiliations, or views.[11]

The FDIC has taken several actions to respond to the EO. The FDIC and OCC recently issued an NPR that would prohibit examiners from (1) criticizing institutions on the basis of reputational risk or (2) directing or encouraging institutions to close accounts on the basis of political, social, religious, or other views.[12] The proposed rule would codify the elimination of reputation risk from the agencies' supervisory programs. Additionally, the FDIC has sent requests for information to the largest FDIC-supervised banks, conducted a review of FDIC-supervised banks' policies and procedures, conducted an in-depth review of the FDIC's complaint database, and surveyed examiners-in-charge, among other steps.

Digital Assets

Throughout the course of the year, the FDIC has taken a more open-minded approach with respect to banks that offer products and services related to digital assets, while maintaining our expectation that such activities are conducted in a safe and sound manner. Earlier this year, the FDIC rescinded a requirement that FDIC-supervised institutions provide prior notification and information before engaging in digital asset activity, which served as a significant barrier to

[11] Executive Order 14331, Guaranteeing Fair Banking for All Americans, 90 Fed. Reg. 38,925 (Aug. 12, 2025).
[12] Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Prohibition on Use of Reputation Risk by Regulators, 90 Fed. Reg. 48,825 (Oct. 30, 2025).

banks' adoption of digital asset activities.[13] The FDIC also withdrew from several interagency joint statements, including one that suggested that use of public distributed ledger systems was likely inconsistent with safe and sound banking practices.[14]

On July 18, 2025, President Trump signed into law the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act),[15] which established a federal regulatory framework for stablecoin issuers. The FDIC will be responsible for licensing and supervising subsidiaries of FDIC-supervised IDIs approved to issue payment stablecoins. The Act requires a number of rulemakings, including establishing capital requirements, liquidity standards, and reserve asset diversification standards, among others.[16] The FDIC has begun work to promulgate rules to implement the GENIUS Act; we expect to issue a proposed rule to establish our application framework later this month and a proposed rule to implement the GENIUS Act's prudential requirements for FDIC-supervised payment stablecoin issuers early next year.

In addition to undertaking our work under the GENIUS Act, we are also considering the recommendations of the President's Working Group on Digital Asset Markets which issued its report in July.[17] The report recommends clarifying or expanding permissible activities in which banks may engage, including the tokenization of assets and liabilities. We are also currently developing guidance to provide additional clarity with respect to the regulatory status of tokenized deposits.

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[13] Press Release, Federal Deposit Insurance Corporation, FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities (Mar. 28, 2025).
[14] Press Release, Federal Deposit Insurance Corporation, Agencies Withdraw Joint Statements on Crypto-Assets (Apr. 24, 2025).
[15] Pub. L. No. 119-27, 139 Stat. 419 (codified at 12 U.S.C. 5901 – 5916).
[16] *See* section 4(a)(4)(A) of the GENIUS Act (12 U.S.C. 5903(a)(4)(A)).
[17] President's Working Group on Digital Asset Markets, Recommendations to Strengthen American Leadership in Digital Financial Technology (July 30, 2025).

Applications

Bank Mergers

Earlier this year, the FDIC rescinded the agency's 2024 Statement of Policy (SOP) on Bank Merger Transactions and reinstated the legacy SOP that was in place prior to 2024.[18] The 2024 SOP made the FDIC's process for reviewing merger applications longer, more difficult, and less predictable. Restoring the pre-2024 SOP provides greater clarity and predictability to interested parties in the near term. The FDIC also has been conducting a broader reevaluation of its bank merger review process, which includes improving internal timelines for processing merger applications and considering additional updates to modernize our SOP governing bank mergers. We will continue to seek to provide greater clarity, predictability, timeliness, and transparency through the merger process.

Establishment and relocation of branches and offices

The FDIC is also taking action to enhance the speed and certainty of the branch approval process, which currently places a significant burden on banks and the FDIC while providing little supervisory value. On July 15, 2025, the FDIC issued an NPR that would provide that filings from institutions eligible for expedited processing will be deemed approved three business days after submission, eliminate the FDIC's discretion to remove filings from expedited processing, eliminate filing requirements for *de minimis* branch facility changes, and eliminate public notice and public comment requirements for branch applications. The comment period ended in mid-September, and the FDIC expects to issue a final rule later this month.

[18] Federal Deposit Insurance Corporation, Statement of Policy on Bank Merger Transactions, 90 Fed Reg 29,413 (July 3, 2025).

De Novo Bank Formation

The FDIC is actively working on ways to improve the *de novo* deposit insurance application process and encourage more new bank formation. We have started to see growing interest by prospective applicants and increased draft and formal filings. Among other things, we are considering modifications to certain of our requirements that may overly restrict *de novo* formation from traditional community banks, and we are adopting a more open-minded approach to deposit insurance applications from organizers proposing banks with new or innovative business models. We will still require applicants for deposit insurance to satisfy the full suite of statutory and regulatory requirements of being a bank, but will also, in collaboration with the chartering authorities, approach these types of applications with an open mind.

Among the types of deposit insurance applications the FDIC processes are applications from industrial loan companies (ILCs). On July 15, 2025, the FDIC issued a request for information (RFI) on ILCs and their parent companies.[19] Through the RFI and its review of the resulting public comment process, the FDIC is reviewing the nature and structure of companies that have applied, or may in the future apply, for an ILC and the issues those applications and notices may present.

Other Policy Work

Community Reinvestment Act

In June, the FDIC, Federal Reserve, and OCC jointly issued an NPR to rescind the CRA final rule previously issued on October 24, 2023 (2023 CRA Final Rule) and to replace it with the CRA framework that existed prior to the 2023 CRA Final Rule (1995 CRA Regulations).[20]

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[19] Federal Deposit Insurance Corporation, Request for Information on Industrial Banks and Industrial Loan Companies, 90 Fed. Reg. 34,271 (July 21, 2025).
[20] Press Release, Federal Deposit Insurance Corporation, Agencies Issue Joint Proposal to Rescind 2023 Community Reinvestment Act Final Rule (July 16, 2025).

Since banks are currently subject to and examined under the 1995 CRA regulations, the agencies expect minimal regulatory burden would be associated with recodifying those regulations.[21] The public comment period closed on August 18, 2025, and FDIC staff are reviewing the comments received.

Digital Signage

On August 19, 2025, the FDIC approved an NPR to streamline and simplify FDIC regulations governing signage requirements related to the display of the FDIC official digital sign on digital deposit-taking channels and automated teller machines and like devises.[22] The proposed changes are intended to address implementation issues and sources of potential confusion that have arisen following the adoption of current signage requirements for these banking channels. The proposal would provide additional flexibility to banks while also enabling consumers to better understand when they are conducting business with an insured depository institution and when their funds are protected by the FDIC's deposit insurance coverage. The comment period closed on October 20, 2025, and the FDIC expects to finalize the proposal in early 2026.

Disparate Impact

Consistent with Executive Order 14281, Restoring Equality of Opportunity and Meritocracy, the FDIC has ended the use of disparate impact in fair lending examinations. Specifically, consumer compliance examiners will no longer pursue evidence of disparate impact liability in fair lending examinations, and we have removed references to disparate impact in FDIC policies, procedures, and resources, including the FDIC Consumer Compliance

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[21] Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, Community Reinvestment Act Regulations, 90 Fed. Reg. 34,086 (July 18, 2025).
[22] Press Release, Federal Deposit Insurance Corporation, FDIC Board Approves Proposal to Amend Official Signs and Advertising Requirements (Aug. 19, 2025).

Examination Manual.[23] Examiners will otherwise continue to evaluate supervised institutions for compliance under the Equal Credit Opportunity Act and the Fair Housing Act.

Payment Fraud

The FDIC recognizes that payment fraud is a significant—and growing—concern for banks and consumers across the nation. We are engaged in interagency discussions to explore regulatory and policy solutions to address this issue. In June 2025, the FDIC, OCC, and Federal Reserve issued a joint RFI on potential actions to address payments fraud.[24] The RFI's purpose was to gather information and ideas to help consumers, businesses, and financial institutions mitigate fraud across various payment systems, including checks, Automated Clearing House payments, wire payments, and instant payments. The RFI focused on five key areas: external collaboration, education for consumers and businesses, regulation and supervision, data collection and information sharing, and enhancing the Federal Reserve Banks' fraud prevention tools and services. The comment period closed on September 18, 2025, and the agencies have established a working group to review and assess comments received and consider next steps.

Climate

The FDIC ceased elevating the management of, or imposing enhanced expectations for, climate-related financial risk relative to other risks addressed by banks' existing risk management processes and the FDIC's other risk management rules and guidance. Accordingly, the FDIC dissolved its internal, interdivisional working group on climate-related financial risk earlier this year, and more recently, together with the OCC and Federal Reserve, rescinded interagency guidance providing principles for climate-related financial risk management for

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[23] Federal Deposit Insurance Corporation, Update to the FDIC's Consumer Compliance Examination Manual, FIL-41-2025 (Aug. 29, 2025).
[24] Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, Request for Information on Potential Actions to Address Payment Fraud, 90 Fed. Reg. 26,293 (June 20, 2025).

large financial institutions.[25] Further, the FDIC withdrew from the Network of Central Banks and Supervisors for Greening the Financial System as its work is outside of the FDIC's authorities and mandate.[26]

Workplace Culture

Finally, I continue to prioritize transforming the FDIC's workplace culture and creating an environment in which all employees are treated with professionalism and respect. Harassment, discrimination, and misconduct of any kind are unacceptable, and we are taking a range of actions to ensure that those who engage in misconduct are held accountable. Among many other steps, we have established two new offices responsible for intaking and investigating complaints and overseeing discipline for harassment, retaliation, other interpersonal misconduct, and discrimination; implemented new anti-harassment training; turned over much of the agency's leadership and reinforced among leadership the need to treat employees with civility and lead by example; established clear mechanisms for employees to report harassment and other interpersonal misconduct confidentially or anonymously; and improved our recordkeeping and tracking of data related to complaints. I remain committed to seeing this work through and ensuring that the FDIC is a place where employees are proud to work.

Conclusion

I appreciate the opportunity to provide the Committee with an update of the FDIC's efforts to improve its regulatory and supervisory approach, while continuing to fulfill our core mission of insuring deposits, promoting the safety and soundness of banks, and resolving failed

[25] Press Release, Federal Deposit Insurance Corporation, Agencies Announce Withdrawal of Principles for Climate-Related Financial Risk Management (Oct. 16, 2025).
[26] Press Release, Federal Deposit Insurance Corporation, FDIC Withdraws from the Network of Central Banks and Supervisors for Greening the Financial System (Jan. 21, 2025).

institutions. The FDIC remains committed to engaging with members of Congress, the public, and other stakeholders on the policies and priorities outlined in my testimony. I look forward to answering your questions.

Chairman HILL of Arkansas. I thank each of the panelists today. We will now turn to member questions, and I recognize myself for 5 minutes for questioning.

When President Trump in his first term signed S. 2155 into law, there was broad, at that time, bipartisan recognition from Congress that the Federal banking supervisors needed to tailor their rules based on an institution's size, complexity, and risk profile. I want to applaud each of you and your work in your agencies for your continuing effort to return to this standard, which was regrettably rejected by many of the supervisory leaders in the Biden Administration.

Vice Chairman Bowman, the committee recently sent a letter to the regulators to support what you are doing, using your existing statutory authorities to further tailor the application of enhanced prudential standards for Category 2, 3, and 4 banks, as well as to index regulatory thresholds for those categories. Is this something that you expect and your colleagues to undertake, and what are you thinking about as in terms of sequencing that and the timing?

Ms. BOWMAN. Thank you, Chairman HILL of Arkansas. That is a very important issue, and I think over the years, I have strongly supported the concept of tailoring regulation to the size, complexity, and risk of the institutions. I do plan to review our tailoring framework and our approach to ensure that it has the intended effect that Congress intended in S. 2155, and we are evaluating indexing the thresholds as we are considering broadly our work on the regulatory framework.

Chairman HILL of Arkansas. Well in the past, Reg YY, which outlines the capital planning thresholds, I think the last time President Trump was in office, the agencies agreed to do it periodically, that they would review that indexing. Do you think Congress should set that, that it be done automatically with inflation? We seem to spend a lot of time here debating that, and should it just not be regularly reviewed by statutory agreement and indexed maybe in accordance with inflation? Would that be better you think?

Ms. BOWMAN. I think that indexing is a critical part of the regulatory framework. We have seen an incredible growth in the money supply as well as the assets of the banks over the last few years. In fact, during coronavirus disease (COVID), there was an exponential growth in the size of financial depository institutions. So, it would be helpful to have a regular cadence for reviewing those thresholds, and I think it is appropriate that we do so now.

Chairman HILL of Arkansas. Thank you. Acting Chairman Hill, we talk a lot in here about exam appeals and the opportunity for a management team and their board of directors to appeal an exam finding if they thought it was done in an unfair manner in some manner. It goes back to my ancient days at Treasury. By the way, Hamilton was a great Secretary but in 1994, the Riegle Act promised this as a part of regulatory reform. I mean, really, an independent process just was inconsistently applied, I would say. Mr. Scott, my friend from Georgia, and I have a bill called the Fair Audits and Inspections for Regulators' (FAIR) Exams Act that we believe would give teeth to that Riegle promise back in 1994. I know you have taken steps to revamp the supervisory process, but do you

think this should be clearly outlined in statute by the FAIR Exams Act?

Mr. HILL. I think additional clarity from a statutory perspective would be very helpful, so would strongly encourage Congress to continue to look at that.

Chairman HILL of Arkansas. Thank you. We had a hearing just a few weeks ago on deposit insurance, and we appreciate you and your staff's work with the committee extensively on the topic of deposit insurance, which is of keen interest to the ranking member and myself. I would like to ask a few questions about your views on the FDIC's reserve ratio for the depositors insurance fund (DIF). It is a pretty straightforward formula that you have a statutory responsibility for. What is the requirement, the minimum reserve ratio?

Mr. HILL. The reserve ratio is defined as the net worth of the Deposit Insurance Fund divided by insured deposits, and the minimum ratio set by statute is 1.35 percent.

Chairman HILL of Arkansas. So, let us say we raise the deposit insurance coverage amounts 100 times to what it is now, meaning the denominator goes way up. Normally, for the FDIC to meet its statutory minimum, would it not need to raise assessments as well?

Mr. HILL. If no other changes are made and the denominator goes up, then that is correct. In order to achieve the same reserve ratio, the revenue coming into the DIF would have to increase.

Chairman HILL of Arkansas. Yes, and if they do not collect the revenue to meet the reserve ratio minimum, that could put the DIF at some risk. Do you agree or disagree with that?

Mr. HILL. I think that is a complicated question and happy to go into some of the considerations. I know the time is short here.

Chairman HILL of Arkansas. We will continue the discussion. Thank you and thank the panel. I now call on the ranking member, Ms. Waters of California, to be recognized for 5 minutes for questions.

Ms. WATERS. Thank you very much, Mr. Chairman. Federal banking regulators are prohibited from owning a bank as long as they serve in a capacity where they are regulating banks. This is to ensure that there is no conflict of interest, making sure they are not in a position to make decisions as a regulator where they favor their own business interests and profit making instead of what makes good sense that is in the public's interest. Is that a sensible prohibition, Acting Chair Hill?

Mr. HILL. Yes, Congresswoman.

Ms. WATERS. Vice Chair Bowman, Section 10 of the Federal Reserve Act states, "No member of the Board of Governors of the Federal Reserve system shall be an officer or director of any bank, banking institution, trust company or Federal Reserve bank, or hold stock in any bank, banking institution, or trust company." Since the Federal regulates banks, does this prohibition make sense to you to ensure there are no conflicts of interest?

Ms. BOWMAN. Yes, it does, Congresswoman.

Ms. WATERS. These commonsense conflict of interest laws are good policy. Unfortunately, the President inserted himself in what used to be an independent regulatory process. The White House

must now review and approve all rules put forward by your agencies, and the White House reviews your budget. Given this new dynamic, should the President be prohibited from owning any business where he has a role in regulating them as long as he is in office, whether it is a crypto business, a bank, or anything else, Vice Chair Bowman?

Ms. BOWMAN. I do not have anything for you on that.

Ms. WATERS. Acting Chair Hill, what do you think?

Mr. HILL. I will echo the comments of my colleague, Vice Chair Bowman.

Ms. WATERS. Well, now, everybody, we are talking about the central bank of the United States of America, supposedly independent. Well, I think this represents a massive conflict of interest and that Congress should act to ensure we have rules set and enforced by those who will not be personally enriched by their public work. We should start by enacting my bill, the Stop TRUMP in Crypto Act, to ensure that Trump and his family as well as future Presidents cannot commit crypto corruption.

Vice Chair Bowman, I appreciated your brief conversation last week and learning you support diversity, equity, and inclusion. In the past, you have remarked indicating that support to minority depository institutions—that is MDIs—women-owned depository institutions, and community development financial institutions is "an important part of the Federal Reserve's mission to provide a safe, sound, and accessible banking system that protects consumers." So accordingly, do you support the Trump Administration's efforts to get rid of the Community Development Financial Institution (CDFI) fund? What would that mean for these CDFI banks that provide access to credit in rural communities that the Feds oversees? By the way, I understand you get a list of words you cannot use when you are dealing with this direction of the President. What do you think about this?

Ms. BOWMAN. We definitely recognize the important role that CDFIs play in their unique role in expanding access to capital and to financial services. The Federal Reserve continues to have a program that supports CDFIs from a technical perspective, which is called Partnership for Progress, and these are important investments that the Federal Reserve continues to make.

Ms. WATERS. I want to thank all of you for being here today, and I know that I am asking you some questions that puts you in a very difficult situation at a time when the President of the United States does not recognize you as an independent agency. This is the central bank of the United States of America under control somewhat now by the President of the United States, who owns cryptocurrency and his family, and he is trying to influence and is influencing the rules of the game, and so I am just outraged by it. I am absolutely outraged that a time in the history of the United States of America, with other countries looking at us, that we are in a position where we do not have an independent central bank, that the President of the United States is in a direct conflict of interest and is brazen about it, who is raising all of the money that he can possibly raise at the time that he is the President of the United States. Thank you for being here and my question to you is almost unfair because there is nothing you can do about it, but

somebody has got to do something about it. I yield back the balance of my time.

Chairman HILL of Arkansas. The chairman——

Mr. GREEN. Mr. Chairman?

Chairman HILL of Arkansas. Just a moment. The gentlewoman yields back, and we now call on the gentleman from Oklahoma, the chair of our Task Force on Monetary Policy and the Treasury Market Structure, Mr. Lucas, for 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman, and thank you to our witnesses for being here today. I want to first applaud you all for addressing the eSLR so that it serves as a backstop to risk-based requirements rather than a binding constraint on intermediaries. As chairman of the Task Force on Treasury Market Resilience, I am keenly interested in making sure our capital framework does not disincentivize participation in the Treasury market.

I will start with Vice Chairman Bowman, then Comptroller Gould, and Acting Chair Hill. You have adjusted the eSLR. Would you consider adjusting other leverage ratios as well?

Ms. BOWMAN. Congressman, at this time, we are widely reviewing all of our authorities and certainly are vested in the success of the Treasury market, including the intermediation by our largest banks, which is why we have finalized the eSLR proposal. So, absolutely, we would be happy to look at anything that you might like us to consider broadly.

Mr. LUCAS. Comptroller?

Mr. GOULD. Two points, Congressman. One, as you probably know, we are in the process of adjusting, or at least proposing to adjust, the community bank leverage ratio. More generally, I share your concerns of the impact of overly complex capital regulation that we have seen following 2010, in particular how it has, in many cases, caused banks to pull back from their historic role of market intermediation. I have also seen firsthand, too, in March and April 2020, again, the cost of complexity associated with, again, overwrought capital regulation and the ability of that overwrought capital regulation to actually impede crisis management when there is an issue, again, as we saw in April and March 2020.

Mr. LUCAS. Acting Chair Hill?

Mr. HILL. All I would add is just to say, as you note, the final rule on the eSLR was intended to remove disincentives for institutions to provide Treasury market intermediation and other low-risk types of activities. We have a proposal out to modify the community bank leverage ratio, and we will continue to re-evaluate other pieces of the capital framework.

Mr. LUCAS. On that same topic, the government shutdown, quantitative tightening, and a reluctance to use the Fed's standing repo facility have raised concerns about reduced liquidity in the Treasury market. Vice Chair Bowman, as you finalize the Basel Endgame proposal, how will you keep in mind the implications of the capital requirements on Treasury market liquidity and functioning, given the Fed's report that the banking system is well capitalized? Do you expect to increase capital levels?

Ms. BOWMAN. I think we are currently in the process of reviewing the capital framework by looking at all four of the pillars of capital, including SLR, which we have just finalized and addressed.

As my colleagues mentioned, we jointly proposed the CBLR, which is designed to help community banks. The other pillars that we are working on and reviewing is stress testing, which we have introduced a few proposals on this year. The G-SIB surcharge will be a part of that as well as the Basel III proposal that we are currently engaged in working on. It is critically important that all of the work that we are doing does not result in impairing the ability of the banks and the economy to support the Treasury market and its functioning. So, we are certainly attuned to any risks that might be presented by the calibration of those proposals.

Mr. LUCAS. Acting Chair Hill, last quarter, the Deposit Insurance Fund reserve ratio increased 4 basis points to 1.4 percent. Is that correct?

Mr. HILL. Yes, that is correct.

Mr. LUCAS. I understand you cannot predict to an extreme degree, but would you expect the reserve ratio to decline if Congress were to increase deposit insurance for non-interest-bearing transaction accounts over a 10-year framework?

Mr. HILL. The way the phase-in period works in the Hagerty-Alsobrooks bill in the Senate, there is a lot of uncertainty around any predictions that we would make but based on the projections that our staff put together, which, again, are subject to considerable uncertainty, the expectation would be that the reserve ratio would grow more slowly over that 10-year period rather than decline. Again, I want to emphasize that there is a lot of uncertainty around those projections.

Mr. LUCAS. One final thought, Chair Hill. I continue to hear frustration from small banks in Oklahoma that during the bank failures of March 2023, the FDIC stepped in to backstop depositors, but the same action was not taken to a bank in Lindsay, Oklahoma the very next year. The difference in the FDIC's actions was because the banks that failed in 2023 were too big to fail while the bank in Lindsay was too small to succeed.

Chairman HILL of Arkansas. The gentleman's time has expired.

Mr. LUCAS. Thank you, Mr. Chairman.

Chairman HILL of Arkansas. The gentleman from California, Mr. Sherman, the ranking member of our Capital Markets Subcommittee, is recognized for 5 minutes.

Mr. SHERMAN. I want to start by associating myself with the ranking member's comments. The actuality of corruption was well explained.

I want to point out here that, so far, we have seen Silicon Valley Bank go down because it was not forced to mark to market its securities which had declined in value, and bank regulators had to have this attitude that those bonds were worth what you paid for them, which was more than you could sell them for. Bank regulators have not solved this problem. We will wait for another Silicon Valley Bank and another disaster and see how we react to that one.

Operation Chokepoint is something that I think has been rejected by some of us on both sides of the aisle. It is one thing for a private individual to decide if they want to boycott this or that entity, and the Supreme Court seems to think that even corporations have First Amendment Rights but when the government

presses a bank not to provide transactions accounts to a legal business because that business is in coal or payday lending or is Planned Parenthood, that is when government is going way too far. Can I hear from each of the regulators that you are not telling the banks you regulate or the credit unions you regulate that they will be disfavored because they provide transactions accounts to businesses that are unpopular on the left, the right, or somewhere else? Let me just go down the list. Ms. Bowman, can you assure us there is no chokepoint going on here?

Ms. BOWMAN. It is very important that all Americans have access to financial services, especially if they are engaged in legal activities, and if they are engaged in disfavored activities, that should not disqualify them from banking services. So, we are very cautious and reviewing our actions over the past few years to ensure that we were not engaged in those activities.

Mr. SHERMAN. If any of the other regulators disagree with that, let me know. Let me go on to the next question, which is for the credit unions, and that is, we have these credit union board members serving as volunteers. I raised the issue with your predecessor and got on the issue of why not allow them to get reimbursed for the childcare costs that they incur to attend board meetings. In July 2024, I was told, in light of my question, you are going to consider the issue. How long is it going to take you to decide that board members can get reimbursed for childcare?

Mr. HAUPTMAN. Congressman, I want to credit you for pressing that issue. You are correct, it is relatively uncontroversial. It is not an issue at banks or most for-profits because you can just pay the board members. As you said, they are volunteers, and it is a relatively small dollar thing, reimbursement——

Mr. SHERMAN. I hope that you move forward in weeks——

Mr. HAUPTMAN. Yes.

Mr. SHERMAN [continuing]. instead of years on that, but I have to go on to the next question.

I will ask unanimous consent to put into the record an article from the Business Insider, August 8, 2025.

Chairman HILL of Arkansas. Without objection.

[The information referred to can be found in the appendix on page 110.]

Mr. SHERMAN. This article states that Mr. Palmer Luckey, in a fundraising memo to investors, claimed that his bank charter would be approved on a speedy timeline because of his political network and the bank's close ties to regulators. Now, this is an interesting situation, because if the memo was lying, that is securities fraud. You cannot go to prospective investors and say we are going to be successful if you are making it up. On the other hand, if he was telling the truth, that is much worse because it means that because he is part of what is described in the article as a million-dollar program to give money to Republicans, he was going to get his bank charter approved much more quickly by the OCC.

So, I will ask Mr. Gould. Since I assume he did not use political connections to get his bank charter approved more quickly, have you begun a securities fraud or have you talked to the SEC about securities fraud when a man raises money for his bank by claiming that you are a corrupt organization?

Mr. GOULD. Well, I am not familiar with all the allegations made in that article, but I can assure you that the OCC treats any applicant or a potential applicant——

Mr. SHERMAN. So, if somebody said they were going to get favorable treatment and put it in their offering memorandum, would that be securities fraud that you would care about?

Mr. GOULD. Again, Congressman, I am not responsible for the securities laws, and I am not familiar with that——

Mr. SHERMAN. I would hope that you mail a letter to the SEC, and I will get you the article, which will be part of the record.

Chairman HILL of Arkansas. The gentleman yields back. The chair recognizes the gentlewoman from Missouri, the chair of our Capital Market Subcommittee. Mrs. Wagner, you are recognized for 5 minutes.

Mrs. WAGNER. Thank you, Mr. Chairman. Throughout my time in Congress, one of my top priorities has been to protect our most vulnerable from financial exploitation and fraud. As part of my work as chairman of the Capital Markets Subcommittee, I have been very proud to champion the Financial Exploitation Prevention Act, which would provide a powerful tool to protect senior investors and ensure that their retirement accounts are safe when they need them the most.

Vice Chair Bowman, you have spoken often on the issue of fraud and, in particular, check fraud, which has grown substantially over the past several years. In 2022, financial institutions filed 680,000 suspicious activity reports, or SARs, related to check fraud, an increase of over 700 percent from just a decade earlier. While check use has decreased in recent years, around three-quarters of retirement-age individuals still use them regularly. You highlighted that while check fraud has been a well-known problem for several years, regulators have been slow—slow—to address the harm that it does to banks, especially community banks, as well as consumers and businesses that are oftentimes its victims. What actions do you think regulators themselves can take to address check fraud, and what areas, if any, would require congressional action?

Ms. BOWMAN. Well, thank you for addressing that very important issue. As a former community banker, I recognize that every time I speak with community bankers, this is one of the top issues that they continue to bring up year after year. So, one of the first actions that I took as the vice chair for supervision was to move forward with my colleagues in an interagency request for information to the public about check fraud and payments fraud more generally. So, we are in the process of reviewing those comments. We have formed a working group, and our intention is to expand that to other areas of the administration so that all of those that may have some sort of authority over the activities that are a part of reviewing check fraud or fraudulent activity can come together to understand how we can take better action and to mitigate the circumstances.

Mrs. WAGNER. Well, I thank you for that, and I hope that you will keep my office and myself in the loop when it comes to regulatory actions——

Ms. BOWMAN. Mm-hmm.

Mrs. WAGNER [continuing]. and then also any kind of congressional action that we can take. It is a big, big problem, and one that I am very focused on.

Ms. BOWMAN. I look forward to working with you on that.

Mrs. WAGNER. Thank you. Earlier in this Congress, in response to the previous administration's burdensome proposal on the Basel III Endgame, I sent a bipartisan letter highlighting concerns with the proposal's treatment of securitized assets. Specifically, the Biden Administration went much too far in its changes to what is known as the p-factor, which would have led U.S. banks to require double or even triple the capital set asides that were required of banks in Europe and other jurisdictions, even when U.S. banks would have dealt with the exact same assets. Thankfully, the Trump Administration is reworking its Basel III Endgame proposal to shore up the international competitiveness of American banks and free up capital to provide credit to homebuyers, small businesses, farmers that would otherwise have been locked up under President Biden's proposal.

Vice Chair Bowman, what is the Fed doing to ensure that this and other changes that add unnecessary red tape do not make it into any new Basel III Endgame proposal?

Ms. BOWMAN. Well, I would love to address that question. Obviously, I have provided a lot of public statements about the previous efforts on the Basel rule.

Mrs. WAGNER. Yes, you have.

Ms. BOWMAN. We currently are working together with my interagency colleagues to move forward with a Basel proposal that works from a risk-focused perspective, from the bottom up, to create a rule that would be more consistent with the Basel 2017 agreement so that we are not going beyond the scope of that agreement, unless it is to the benefit of the U.S. institutions.

Mrs. WAGNER. Well, I hope you pay particular attention to this p-factor. I am very, very concerned at what the Biden Administration did in going way too far in that regard.

Acting Chair Hill, the FDIC under your leadership has done great work to ensure its regulations, including the asset thresholds that are used to determine supervision requirements. They are tailored to fit the many different financial institutions under its purview. I have several questions in this regard, but I am over my time, so I am going to submit them to you, and I look forward to your response. Mr. Chair, I yield back.

Chairman HILL of Arkansas. I thank the gentlewoman. Please answer those questions as you have time and instruction.

Chairman HILL of Arkansas. I now call on the gentleman from New York, the ranking member of our House Foreign Affairs Committee. Mr. Meeks, you are recognized for 5 minutes.

Mr. MEEKS. Thank you, Mr. Chairman. I actually just want to state that I think that the ranking member's questions were fair, not unfair. They were very fair and important because anytime a person is the President United of the States of America, he is not a king, and an independent agency should be able to look at it and then make sure that things are fair. So, I think it was very important, those questions, not unfair, Madam Ranking Member, very fair and very important.

Let me turn my attention to Vice Chair Bowman because I appreciate your outlining your plan to help community banks succeed and grow, and you described community banks in the past as "the foundation of our financial system." You have explained the unique value that community banks bring to the financial system, their proximity to their customers and their understanding of local credit needs, and why they fill gaps that our larger institutions often overlook. These institutions support rural areas, urban neighborhoods, and small towns that keep families and small business connected to loans and basic financial services. That kind of access in underserved communities is critical for economic stability, you know, to try to create jobs and other things in local communities. Is that not correct?

Ms. BOWMAN. That is absolutely correct, and as a former community banker, I can attest that they do that on a daily basis, every minute of every day.

Mr. MEEKS. Now, we also have institutions that are designed specifically for undeserved communities, our CDFIs and MDIs, and they often step in when traditional lenders do not, so, again, I want to follow up on one of the questions that Ranking Member Waters asked. Would you agree that these institutions play a critical role in the banking ecosystem?

Ms. BOWMAN. Yes, we recognize the value of CDFIs and the unique role that they play in providing financial services to underserved areas.

Mr. MEEKS. So, with CDFIs and MDIs, you have spoken about improving the de novo chartering application process for community banks. Is there any reason to think that MDIs would be excluded from the improvements you are considering?

Ms. BOWMAN. Of course, they would be included because they are depository institutions, and they are eligible for all of the programs that the Federal Reserve provides.

Mr. MEEKS. Thank you for that. Mr. Gould, you said in your testimony that the OCC has taken steps to curb what you describe as debanking on the basis of politics or ideology, and you have suggested that prior administrations targeted politically disfavored industries. Now, hopefully we are going to avoid any double standards here. Can you identify any industries that the current administration has taken actions against that might raise the same concerns?

Mr. GOULD. Congressman, thank you for the question. The current administration, or at least the OCC, is focused on making sure that discrimination on the basis of politics or religion, of any politics or any religion, has no place in the Federal banking system. So, no, I cannot identify any current examples.

Mr. MEEKS. You cannot identify. Well, that is very interesting to me. That has not been my impression when I look at some of the activities of the current administration going against some of its political individuals. That seems that would be the opposite direction of this current administration. Does the OCC have any safeguards in place to ensure that the current administration does not apply regulatory pressure to industries it disfavors because we have seen this administration being very out with those that it

disfavors. It never shies away from saying exactly that. So, do you have anything in place?

Mr. GOULD. As we have seen under both President Obama and President Biden's Administrations, examiners use reputation risk at times.

Mr. MEEKS. I am talking about this administration. What is in place for this administration?

Mr. GOULD. Congressman, both the OCC and the FDIC proposed a rule eliminating reputation risk.

Mr. MEEKS. Have you conducted any internal review to ensure consistency?

Mr. GOULD. Well, Congressman, we have looked at the past actions of the OCC, particularly around Operation Chokepoint 2.0, and we disclosed correspondence between the OCC and banks around crypto activities in redacted form. So, yes, we have conducted an investigation into our own activities historically.

Chairman HILL of Arkansas. The gentleman's time has expired. The gentleman from Kentucky, Mr. Barr, the chair of our Financial Institutions Subcommittee, you are recognized for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman. The Dodd-Frank Act established a number of regulatory requirements for community banks with $10 billion or more in assets. In the 15 years since its passage, the economy has grown, meaning that banks must also grow to compete and stay competitive against their largest peers, but the thresholds on community banks have remained the same. That is why I am drafting legislation that indexes certain regulatory thresholds for community banks to nominal GDP.

I often hear from community banks that the costs of complying with these regulatory requirements impede them from growing past the $10 billion threshold, leaving them unable to compete and grow, which threatens the survival of the community bank ecosystem altogether. Specifically, the Durbin Amendment is the most costly and burdensome requirement that these smaller banks face.

Vice Chair Bowman, does the current $10 billion threshold disincentivize community banks from growing, and what does this mean for the competitiveness of the community banking sector?

Ms. BOWMAN. In my experience of working with community banks that are approaching the $10 billion threshold, it certainly does disincentivize their growth. It gives them few options to be able to address the additional supervisory requirements that are imposed at that threshold level.

Mr. BARR. That is my experience as well talking to kind of larger community banks in Kentucky who are approaching that $10 billion threshold, growing organically and in a healthy and safe and sound manner, but then are, because of the Durbin Amendment and some of these other regulatory triggers at $10 billion, they want to grow, but they have to rapidly expand their balance sheet and increase their presence in new markets and activities and new business lines to account for the additional interchange costs that they would face over $10 billion. I would think that this would raise financial and reputational risk. Vice Chair Bowman, is this counter to regulator safety and soundness mandate, and would indexing the Durbin Amendment and some of these other require-

ments and these other thresholds allow banks to grow in a more organic and safe way?

Ms. BOWMAN. Indexing, as a general concept, is an important improvement that could be applied to especially the community banking space, but I think it also could be helpful for other sizes of smaller institutions as well.

Mr. BARR. Well, thank you for that. Last Congress, many of my colleagues and I worked tirelessly to bring to light concerns with the Basel III Endgame proposal, including traveling to Switzerland to speak to the Basel Committee, where they agreed with Members of Congress, a bipartisan delegation, that the U.S. proposal from your predecessor, Vice Chair Bowman, proposed gold-plating requirements on American financial institutions compared to their global peers. Fortunately, that proposal was never finalized, and the Fed, OCC, and FDIC plan to reintroduce a rulemaking in 2026. To all of the bank regulators here—Vice Chair Bowman, Comptroller Gould, and Acting Chair Hill—will you commit to undertaking a holistic review of the capital stack to account for double counting and other duplicative capital regulations on U.S. firms? We can just go down the line.

Ms. BOWMAN. Absolutely. We are doing that now.

Mr. BARR. Mr. Gould?

Mr. GOULD. Yes.

Mr. HILL. Yes.

Mr. BARR. Thank you. To all of you again, are the agencies planning to issue a proposal that predetermines a "capital-neutral outcome," even if some risks continue to be over capitalized?

Ms. BOWMAN. We are not, and we do not have a preconceived notion about where we will land with our capital requirements based on this review, with this comprehensive review of capital that we are undertaking now. We are looking at it from a risk-based approach by each factor and category of risk.

Mr. BARR. Well, let me just reclaim my time because I am running out. My view to all of the regulators here on this issue of capital neutrality is that an America First banking regulatory agenda should not seek to just achieve international regulatory harmonization for harmonization sake. Instead, it should seek to advantage American economic competitiveness. Of course, safety and soundness, of course, making sure our banks are well capitalized, but we should not just simply be looking for international harmonization in the implementation of Basel III. We should be focused on economic growth as we balance economic and financial stability as well.

Final question to Comptroller Gould. We are seeing a massive increase in energy demand because of AI data centers and the race for AI. This scenario implies significant stress on the U.S. power grid that will require major investments in generation, transmission, and grid infrastructure. I want to talk to you about removing reputational risk from your regulatory oversight agenda. Does that mean you are going to be able to greenlight bank lending to the sources of the most reliable and affordable energy, including coal, coal mining operators, and utilities interested in investing in coal?

Chairman HILL of Arkansas. The gentleman's time has expired, and we ask the comptroller to respond to the gentleman in writing, please.

Mr. BARR. Thank you.

Chairman HILL of Arkansas. The gentleman from Georgia is now recognized. Mr. Scott, you are recognized for 5 minutes.

Mr. SCOTT. Thank you very much, Chairman, and Vice Chair Bowman, welcome, but I am concerned about the versatility of our financial system here, and what we are dealing with is not just one pattern. I want to give you an opportunity to explain, for example, how the Fed is approaching tailoring these reforms and its impact on the different business models? You have lenders, you have banks, you have credit unions, and we have to be very exact and very careful when you come and legicate the leader of the world's financial system, and that is what we are doing here. Specifically, I am interested in whether the task of updating or indexing thresholds for financial institutions who currently fall just below the Category 1 status is still on the table.

So, my first question to you is this. Do you not see a risk in the 2019 thresholds pulling additional financial institutions into categories that do not necessarily reflect their actual risks of those profiles?

Ms. BOWMAN. Yes, I think it is important that we are reflecting the actual risk of an institution, including its size and its complexity, the complexity of its business model, when we are thinking about how we should apply regulatory and supervisory requirements to each of those unique institutions.

Mr. SCOTT. In addition to some of your supervisory predecessors, a broad section of members on this very committee believes that indexing various asset-based thresholds, for example, for Category 2, 3, and 4 banks, to minimal GDP does present some risk. Tell us about what you feel about these risks.

Ms. BOWMAN. I think we are currently in the process of reviewing our entire regulatory framework and trying to determine whether or not the categories that we have established continue to be fit for purpose and that they are appropriate for the banks that are currently supervised within those categories.

Mr. SCOTT. Yes.

Ms. BOWMAN. It is important that we understand the challenges that they face, but also the business services and risks that they present to the economy and the support that they provide to economic growth. So, these are all things that are important for our review, especially of the capital program.

Mr. SCOTT. Well, I follow some of your comments and let me ask you this. When you say, as you have said, you used the word "modernization," are you proposing a more risk sensitivity, or are you simply weakening oversight for some banks and not others? Would not a period of high inflation with real stagnant, real growth not push these thresholds up faster? Explain the complexity.

Ms. BOWMAN. Well, thank you for the opportunity to clarify the work that I am doing at the Federal Reserve Board.

Mr. SCOTT. Yes.

Ms. BOWMAN. As we discuss the opportunity to modernize our supervisory and regulatory framework, it allows us to look backward

at the last 15 years as we have created regulations in response to our responsibilities under Dodd-Frank. It is important that we are looking at whether or not all of them are successful and whether they are fit for purpose. As a part of that, what we understand and the experience that we have in implementation is that there is a lot of overlap, there is a lot of duplication, and there are a lot of conflicting regulatory requirements. Those are things that we are trying to address in our modernization.

Mr. SCOTT. Well, let me ask you this final, while I have a few seconds. Have you modeled how quickly, like, for example, Category 2 and 3 thresholds, would rise in high-inflation scenarios, and could a bank in today's Category 2 or 3 jump out of enhanced prudential requirements within just a few years, without reducing a profile at all?

Ms. BOWMAN. These are exactly the kinds of scenarios that we are considering as we are thinking more broadly and comprehensively about whether or not our current capital framework and our delineation of those categories continue to be appropriate.

Mr. SCOTT. Well, I look forward to working with you. I am very interested in this.

Ms. BOWMAN. I look forward to working with you, too. Thank you.

Chairman HILL of Arkansas. Thank you very much, Mr. Scott. The gentleman from Georgia yields back in order for me to call on another gentleman from Georgia. Mr. Loudermilk, you are recognized for 5 minutes.

Mr. LOUDERMILK. Well, thank you, Mr. Chairman, and thank you for this hearing and everybody here. This is incredibly important, especially since a lot of the discussion these days is about affordability. I asked a large gathering of businesses of all sizes and different types of businesses in the Atlanta area recently, what is the largest impact or the largest cost that generally is passed on to your customer, and without exception, they all said government regulation. That is the number one cost, especially regulations that are not applicable to their business or their business model, but yet still mandated, and compliance and reporting is required by government. Another area, though, is outdated regulations, and that is one area that I have been working on.

Acting Chair Hill, I know that you devoted a portion of your testimony to reform proposals related to the Bank Secrecy Act and, specifically, to allow institutions to reallocate resources away from lower-value reporting to higher reporting. I have been working on this, especially with the Bank Secrecy Act, and adjusting the financial reporting threshold. In fact, my bill is entitled The Financial Reporting Threshold Modernization Act, which would increase the currency transaction report from the grossly outdated $10,000 number to a $30,000 threshold, but index that to inflation going forward. Is an idea like this one that aligns with your goal to alleviate the reporting burden on financial institutions of all sizes?

Mr. HILL. Sure. Thank you for the question, Congressman. So, as those thresholds have not been changed for many years, and the number of reports that are filed by financial institutions are extremely large, so I think taking a taking a close look at this makes a lot of sense. Those regulations are under the purview of the

Treasury Department, so would defer to them on the specifics, but I think this makes a lot of sense, is something to look at.

Mr. LOUDERMILK. My bill in its current form would increase the currency transaction report (CTR) from $10,000 to $30,000, then index to inflation. However, would you think it would be feasible to immediately index the CTR to inflation now, which, if it had been adjusted periodically, would be at $87,000 or around there. Do you think that is feasible instead of gradually increasing it?

Mr. HILL. Again, on the specifics, I would defer to the Treasury Department, but I think as a general matter, indexing thresholds is something that makes a lot of sense.

Mr. LOUDERMILK. I will just throw this out to anybody on the panel, the same question, but also, I think there is concern among law enforcement that this could hinder their enforcement activity. However, at the same time, we keep hearing that looking for someone doing something wrong is like looking for a needle in a haystack, but yet we keep increasing the size of the haystack. My suggestion is to decrease it. Do you feel that raising the threshold would actually help or interfere with law enforcement? Anybody have a thought on that?

[No response.]

Mr. LOUDERMILK. Okay. I will move on then. Chairman Hauptman, it is good to see you again, had a great conversation last week. I know that this is something that we talked about, the modernization of the Bank Secrecy Act. What are you hearing from credit unions around the country when it comes to compliance costs to prepare CTRs and SARs? Do you think that there is a case to be made for increasing thresholds and indexing them to inflation?

Mr. HAUPTMAN. I can definitely tell you that the least enjoyed part of running a small institution is complying with BSA and AML in general. When you ask why a small institution merged with another or sold out to another, it is frequently the very first thing that you hear, and these are patriotic Americans who want to fight crime just as much as anybody else, but that burden is significant.

Mr. LOUDERMILK. Okay. Thank you, and in light of the amount of time I have remaining, I do not think it is adequate time to go into the next set of questions, so I will submit those for the record and yield back.

Chairman HILL of Arkansas. The gentleman from Georgia yields back. The gentleman from Massachusetts, Mr. Lynch, who is our ranking member on the Subcommittee for Digital Assets, Financial Technology, and Artificial Intelligence, you are recognized for 5 minutes.

Mr. LYNCH. Thank you, Mr. Chairman, and to the ranking member. I want to thank all the witnesses for your willingness to work with the committee and help us with our work.

Supervisor Bowman, I read a transcript of your remarks in Madrid at the International Banking Conference that was hosted by Santander, and a couple things just jumped right out at me. I got to admit they sounded a little bit crazy, so I want to make sure you actually said these. You told at the conference that it is critically important that traditional banks can engage fully in com-

peting with nonbank financial institutions when it comes to cryptocurrencies. Is that correct?

Ms. BOWMAN. I do not believe I specifically said cryptocurrencies.

Mr. LYNCH. Oh no, this said cryptocurrencies, yes. Multiple times on crypto. That is not in question.

Ms. BOWMAN. Then I misspoke because the work before us is on digital assets, that the Congress has directed us to provide a pathway and a framework for banks to be able to engage or for engagement in digital assets.

Mr. LYNCH. Yes, but here you said, and I have the transcript here, you said, "You thought it was critically important that banks, traditional banks, compete with nonbank financial institutions when it comes to cryptocurrencies." That is what you told the people in Europe and in Madrid, and it sounds crazy because you are a prudential regulator. You are supposed to be protecting depositors. You are supposed to be making sure there is safety and soundness, that there are sufficient capital reserves. You just mentioned Dodd-Frank. I am dumbfounded to hear that, and I just want to clarify, is that the Trump Administration policy now that traditional banks should be into crypto?

Ms. BOWMAN. I want to just go back to what I said earlier. It was not my intention to say crypto. It was that we are engaged in working with banks to ensure that if they choose to engage with digital assets, that is something that——

[Cross talking.]

Mr. LYNCH. Well, is crypto not a form of digital asset, though? I mean, it is on this committee.

Ms. BOWMAN. Not as you defined it under the GENIUS Act. So, when we are talking about things like stablecoins, that is what I meant to refer to, if I misspoke.

Mr. LYNCH. These are speculative assets, though. They are speculative assets.

Ms. BOWMAN. That we have been directed to engage——

Mr. LYNCH. Right. Right.

Ms. BOWMAN [continuing]. in regulatory promulgation by Congress.

Mr. LYNCH. They are speculative assets, and you, again, are a prudential regulator that is supposed to try to take the risk out of the system, not inject it into the system. See, there are a couple of times in our history where we have had regulators encourage banks to engage in speculative activity. One was when we had 9,000 banks fail back in the early 1930s. The second time, and I think you might have been up here on the Hill, in 2008, when we allowed banks to speculate in the subprime mortgage market and some very exotic derivatives.

Ms. BOWMAN. Actually, I was living in London at that time. I was not on the Hill, not engaged in——

Mr. LYNCH. Okay. Well, I was here. I was here. So, but anyway, those are two examples of when we allowed banks to speculate, and it was a total disaster. You know, I got to be fair with you, I think that is a crazy idea. Remember, we are bailing them out. We are bailing them out. We do not want banks to take unreasonable risks. We want to have customers and depositors have confidence

in our banking system. So, I am just hoping that you are not embracing that policy.

Ms. BOWMAN. My view is that community banks, other banks, should be able to engage in stablecoins and other digital assets as Congress provides authority to do so, and that as we are required to, we are able to provide guardrails or regulations that allow for appropriate safety and soundness activities to be engaged in oversight.

Mr. LYNCH. Just square the circle with me, though. You know, we have an asset that has extreme price volatility, and you are inviting banks to engage in that. How does that make the bank safer by injecting digital assets into their mix? How do you even quantify what the reserve level should be when you have an asset that is inside that bank, multiple banks, right, and this stuff could blow up. Like I say, it dumbfounds me that we have a prudential regulator that is suggesting such a thing.

Ms. BOWMAN. Well, the GENIUS Act requires us to promulgate regulations to allow for these types of activities.

Chairman HILL of Arkansas. The gentleman's time has expired. The vice chairwoman will respond more fully to the gentleman's question in writing.

Chairman HILL of Arkansas. The chair now recognizes the gentlewoman from South Texas. Ms. De La Cruz, you are recognized for 5 minutes.

Ms. DE LA CRUZ. Thank you, Chairman Hill, for holding this important hearing today, and thank you to the witnesses for being with us.

I represent a rural community and largely Hispanic community in deep South Texas, so our community and our regional banks are very important to understanding the needs of South Texans. That being said, Acting Chairman Hill and Comptroller Gould, you both have an important but difficult task of trying to right the ship at the FDIC and OCC, respectively, after the Biden Administration spent years directing our prudential regulators to focus on things outside your core mission.

As you know, the culture of the FDIC and OCC impact the work your examiners do and, in turn, impacts the ability of our community bankers to serve their clients and constituents. There is often a discussion solely around the number of examiners you employ, but as I am sure you would agree, ensuring that we have experienced examiners is very important. In your new roles, can you share how you plan to address the young and often inexperienced bank examiners that you may have and I will start with Acting Chairman Hill. Is this an issue that you have seen since arriving to the FDIC?

Mr. HILL. Sure. Thank you for the question. That is absolutely something that we are very focused on. The retention of experienced examiners is something that the Agency has been focused on for a number of years. We are considering and putting in place a number of options to ensure that we are doing everything we can to retain experienced examiners.

Ms. DE LA CRUZ. Give me an example of some of those options.

Mr. HILL. Sure. So, we have one item that we are going to include in our budget for next year that is going to create a new

grade level for examiners that reach a certain level of experience, and so——

Ms. DE LA CRUZ. For those watching television right now, what does a grade level mean?

Mr. HILL. So, essentially, it would mean they would graduate to a higher level of pay, and it would accrue to their sort of retirement, et cetera. So, we have other things similarly when it comes to retention payments and things like that, essentially, to ensure that examiners, as they achieve a level of experience, we want those individuals to stay with the Agency because they are people that know the institutions they supervise, know the local conditions, et cetera.

Ms. DE LA CRUZ. Sounds like we have some work to do right there, right? Comptroller Gould, would you agree that this is an issue at the OCC as well?

Mr. GOULD. Well, thank you very much for that, Congresswoman. I generally think we have very talented examiners across the board. We created, just in the 4 months I have been there, created a community bank supervision portfolio, again dedicated to the needs of community banks. I have already been on two community bank exams, including one down in Texas. I have not been as far south as your district but look forward to getting there, but twice down to the Fort Worth-Dallas area. I do think examiner training is very important, and we want to make sure we have the resources and are training kind of the next generation of examiners, particularly around kind of new and innovative technologies that some of the banks may be choosing to engage in going forward.

Ms. DE LA CRUZ. Wonderful. It sounds like we need some work there in the FDIC and possibly even the OCC but making sure that we have experienced examiners is very important, especially when it comes to our community and our regional banks. I have a minute of time here, so, I am going to go on to the next question.

Vice Chairwoman Bowman, last year you called on the Federal Reserve Board to tackle and identify issues that were exposed during the bank stress test in the spring of 2023, including updating the discount window, and you have spoken a little bit about that. I have a piece of legislation bringing the discount window into the 21st Century Act. Could you share a quick update on the reforms the Board is still considering to updating when it comes to the discount window's operation and technology?

Ms. BOWMAN. Thank you for the opportunity to discuss the important tool of the discount window. It is certainly something we learned a lot about, its functionality, during the Silicon Valley Bank experience and failure. One thing that we have recognized, and we are engaging with our Federal Home Loan Bank (FHLB) System colleagues is to recognize the importance of being able to quickly move collateral from the FHLB system into the discount window system. So, we are doing a lot of work to modernize our capabilities and our operations in that space, among many other issues and areas, but I think that is probably the most critical.

Ms. DE LA CRUZ. Thank you so much. I yield back.

Mr. HUIZENGA [presiding]. The gentlelady's time has expired. With that, the gentleman from Texas, Mr. Green, who is the rank-

ing member on the Subcommittee on Oversight and Investigations, you are recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman. I thank the ranking member as well. I thank the witnesses for appearing today.

I must say that I associate myself with the comments of the ranking member. What she said took more than intellect. There are many people with the intellect to say what she said, but only a few with the courage, the courage to say what she said. It was one of, I think, the finest moments that I have seen since I have been on this committee, and I would like to salute her and associate myself with her comments.

As you know, there is a war for currency supremacy, and this war exists because the U.S. dollar is the reserve currency of choice for the world. It is the global reserve currency. As such, its importance cannot be underestimated. Permit me, Madam Vice Chair Bowman, to ask you, could you kindly explain as tersely as possible the importance of the role of the dollar as a global currency of reserve to our economy?

Ms. BOWMAN. I agree with you, and I am sure all of us in this room agree with you about the importance of the supremacy of the dollar as a global world currency. Dollar policy is within the remit of the Treasury Department, so other than the work that we do with U.S. Treasuries and those auctions, that is the remit of Treasury.

Mr. GREEN. Why is it so important? We often say that it is important, but we do not get to the nuances associated with the statement. Why is it so important?

Ms. BOWMAN. When the dollar is the reserve currency, that means other countries need and use and want the dollar as a part of their economic activities and that is critical to the future of the United States of America and our ability to continue to maintain our current role and status in the world.

Mr. GREEN. How important is it as it relates to imposing sanctions on countries that are doing things that are harmful to our economy?

Ms. BOWMAN. I would love to talk to you about sanctions, but that is way outside my remit, so I would refer you to the Department of the Treasury on sanctions and sanctions enforcement.

Mr. GREEN. Well, permit me to ask you this. First, a predicate: experts have warned that the combination of Trump's chaotic tariffs and attacks on the Federal Reserve monetary policy independence undermine the U.S. dollar's role as a global reserve currency. If you agreed with this statement, I am not saying you do, but if you did, would you have the courage to tell the President that he is harming our dollar as a reserve currency? Would you have the courage to do that?

Ms. BOWMAN. I agree with you. It is critically important for the Central Bank to remain independent, but I do not have anything for you on the other topics.

Mr. GREEN. The reason I ask is because this issue of courage became prominent in my mind when I saw the responses that you were giving to the questions that the ranking member posed and I have seen the members of the Cabinet as they sit around the room with the President, and how they all take great pride and

pleasure in telling him how great he is. I think there will have to be someone or few among you who will have the courage to say to this President, you are making a mistake. If he does not hear persons who have that kind of courage, our economy is going to suffer as it is suffering. Someone has to have that kind of courage. Let me ask you, Mr. Gould, do you have that kind of courage?

Mr. GOULD. Thank you for the question, Congressman. I believe the President selected me and the Senate confirmed me for this role because I was the best person for the job. I believe I would be doing disservice to him and to the American public if I, at any opportunity, fail to give my best advice, and I will always do so. Thank you.

Mr. GREEN. I am honored that you would say so. Thank you, and I would hope that others of you would adopt that language. The President cannot harm you. Stand up. I yield back.

Mr. HUIZENGA. The gentleman's time has expired. With that, the gentleman from Tennessee, Mr. Rose, is now recognized for 5 minutes.

Mr. ROSE. Thank you, Chairman, and I appreciate Chairman Hill and Ranking Member Waters for holding this important hearing and thank you to our witnesses for being with us today.

Chairman Hill, have you had an opportunity to read Treasury Secretary Bessent and Senator Bill Hagerty's Wall Street Journal op-ed from October 30 titled, "How to Make Mainstreet Banks Great Again?"

Mr. HILL. I did read it.

Mr. ROSE. The authors, as you know, argue that the current regulatory framework and the perceived government guarantee for the largest banks have created a "too small to succeed" environment for community and regional institutions, and they call for raising the FDIC insurance limit to level the playing field. Do you agree with their assessment of this competitive imbalance, and do you agree with their proposed solution?

Mr. HILL. I think there are many challenges that the smallest banks face today. Among those challenges include things like the cost of compliance and the cost of technology. So, we are taking a number of steps through our existing authorities to try to ensure that we have a regulatory framework in which the smallest banks can succeed. When it comes to deposit insurance reform, I think it is a worthwhile conversation to be having. We have avoided taking any formal positions on any specific piece of legislation, but I would note that the number of insured deposits in the system as a proportion of overall deposits has come down pretty significantly. So, I think it makes sense for Congress to be evaluating the potential for deposit insurance expansion.

Mr. ROSE. Thank you. Comptroller Gould, I often hear from community banks in Tennessee and across the country that their treatment varies depending on which OCC program or office supervises them. In recent months, the OCC has issued several bulletins aimed at community banks, such as Bulletin 2025–24 and 2025–29, which seek to reduce unnecessary supervisory burdens and refocus exams on material financial risks. Both bulletins explicitly define a community bank as a financial institution with less than $30 billion in assets, and state that banks meeting that definition

are covered by the aforementioned bulletins. For bulletins labeled as applying to community banks, can you confirm that those bulletins apply consistently to all community banks under OCC supervision that meet your definition, regardless of whether they are overseen through the community, mid-size, large, or specialty supervision programs?

Mr. GOULD. Our goal would be to apply those bulletins consistently to all banks engaged in a community bank business model. Now, there are some banks, they may be small in asset size, but, nevertheless, are engaged in activities that are not consistent with a traditional community bank business model. For example, significant payments activities where we would treat them a little differently. Again, we would revert back to our historic risk-based supervisory approach.

Mr. ROSE. Thank you. I appreciate that insight, and I would just, I guess, reaffirm that it is so important that these banks get consistent guidance and that it does not appear that the examiner or the program or the region of the country that they are in is in some way affecting the supervision that they are getting in the way that their examinations proceed.

Chairman Hill, looking back on the bank failures from 2023, it is clear that once a deposit run begins, supervisors have very few tools to stop it. What tools does the FDIC believe it would need, either operationally or through expanded authority, to allow an individual bank to fail while still shoring up confidence in the broader system?

Mr. HILL. Sure. So, I fully agree that our tools are fairly limited. The primary tool that was used in 2023 was invoking the systemic risk exception, which under the current statute limits us to, essentially, protecting creditors and depositors of the institution that failed. I think there could be some merit in allowing regulators to have the authority to provide a time-limited deposit or other debt guarantee across the system. I think if Congress were to do that, we would want it to be time-limited with guardrails in place. Currently there is a process where the Congress can do that through fast-track procedures, and I think what 2023 demonstrated was those fast-track procedures are still way too slow for the speed at which bank runs can spread.

Mr. ROSE. Thank you. My time has expired. I yield back, Mr. Chairman.

Mr. HUIZENGA. The gentleman's time has expired. The gentleman from Missouri, the ranking member for the Subcommittee on Housing and Insurance, Mr. Cleaver, is recognized for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman. I want to associate myself with the comments issued earlier by the ranking member, Ms. Waters.

Mr. Gould, your memo to us had me to read it several times because one part of it just leaped from the pages into my mind, and it is recorded on page 1 and 2, first two paragraphs on page 2, when you said that no American should be denied access to banking products and services because of political or religious beliefs. I am curious about whether or not we have any evidence that there has been political discrimination in banking, and if there is, if you could help me understand it.

Mr. GOULD. Well, thank you for the question, Congressman. I think it should be an uncontroversial statement saying that we should not condone any discrimination in any form.

Mr. CLEAVER. I apologize. I apologize. I will ask it another way.

Mr. GOULD. Okay.

Mr. CLEAVER. Does political discrimination exist in the American banking system, and if so, if you would give me an example, it would be helpful.

Mr. GOULD. Congressman, thank you again for the question. As I noted also in my opening statement, we are in the process of looking at the activities over the last few years of the largest national banks. It is premature for me to comment on the results yet of that review, but I will, of course, upon its completion, inform this committee and the public of what we find.

Mr. CLEAVER. So, do you believe that there has been political discrimination, discrimination on a potential customer/applicant? I just want to know. This is not a hostile question.

Mr. GOULD. Again, Congressman, as I just stated, we are in the process of reviewing the activities of the largest national banks where there have been allegations of political debanking, and I look forward to sharing the results of that review, when it is complete, with you all.

Mr. CLEAVER. Mm-hmm. So, I mean, debanking is actually preventing someone from receiving banking privileges. Okay, I will move to another one because it is really something I am concerned about, and that is religious banking. In your statement, you mentioned that, and I agree with you, that religious beliefs should not be included in or practiced by banks. I have done a little on this issue already. I have actually written several papers on religious discrimination. So, I do not know how religion can enter into the banking system and there is discrimination. Can you help me?

Mr. GOULD. Yes, sir. So, again, I am aware of allegations of a number of religious organizations, charitable organizations that have alleged debanking over the course of the last years, and we have been sifting through our own OCC complaints as well as working with third parties and other government agencies to sift through complaints of religious discrimination. That is, again, also something that we will be reviewing and sharing our results with this committee when we complete that review.

Mr. CLEAVER. So, we have no evidence that has occurred.

Mr. GOULD. Sir, I would not go so far as to say that. I would just say that there are a number of allegations of religious debanking that have occurred and been made to the OCC as well as to other government agencies. It would be premature, while the review is still ongoing, for me to conclude as to whether or not they actually happened until, again, I have completed the review.

Mr. CLEAVER. Well, I applaud you for the investigation because, I mean, one of the things that the President did early on was to eliminate departments in various agencies who had the responsibility for looking for exclusion and discrimination. Thank you, Mr. Chairman. I yield back.

Mr. HUIZENGA. The gentleman's time has expired, and I will be recognizing myself now, and, Acting Chairman Hill, let me start with you.

In 2024, after substantiated allegations against former FDIC Chairman Marty Gruenberg, an independent report concluded that there was a lack of accountability, fear of retaliation, insufficient prioritization of workplace culture, and an abuse of power dynamics at the FDIC. We did hearings on that. In addition, a staff report released by this committee last Congress noted that the next FDIC chairman will need to "undo years of damage to morale and culture at the Agency." You have been on the job in an acting capacity for the past year. What steps have you taken, even in that acting capacity, to ensure that the FDIC makes good on the recommendations made both by this committee, but, just as importantly, maybe even more importantly, the Cleary report?

Mr. HILL. Sure. Well, thank you for the question, and let me start by saying that harassment, other forms of misconduct have no place at the FDIC or any other workplace, and fixing the culture at the FDIC has been a key priority throughout this year and appreciate all the work and oversight that you and your team has done.

Mr. HUIZENGA. Are the employees receptive to it? I mean, it was bad.

Mr. HILL. Yes.

Mr. HUIZENGA. Both sides recognized that it was bad.

Mr. HILL. Fully agree. I think there is widespread commitment at the Agency to turn the page on the problems of the past. There has been significant turnover in leadership at the Agency. We have an entirely new board. About half of direct reports to the chair have turned over this year. We have replaced a large number of managers across the Agency. We have prioritized accountability, which I think was really the key root cause of the problems——

Mr. HUIZENGA. Yes.

Mr. HILL [continuing]. which is that there were many cases where either people did not report things because they did not have confidence in the process, or they did report things and people were paid off with settlements and the wrongdoers did not have accountability. So, we have taken a number of steps to set up new offices, new processes in place to ensure that when there are allegations, that there is a process, that there are independent investigations, and that there is discipline appropriate for the misconduct.

Mr. HUIZENGA. Glad to hear that, and you do not strike me as the type of person who is going to scream at their employees as they are coming in about trivial things. So, I have a few head nods behind on that, so I appreciate that.

Switching topics but staying with you. I know a little earlier you had talked about the failed bank resolution framework as a worthwhile conversation to have. Two weeks ago, the committee held a hearing on proposals that would make changes to the deposit insurance framework. While the issue is far from settled, I think it is important that we do not dismiss how interconnected the debate between deposit insurances with bank resolution and bank failure scenarios. It makes sense to have a wide range of institutions lined up to bid on the failed banks, increasing the proceeds received by the FDIC for its sale, and then lowering the potential costs of the Deposit Insurance Fund. This is something you and I discussed in 2023 during the banking turmoil, and I know this is something

FDIC has been looking at. You are not commenting on any particular legislation. I happen to have particular legislation on that. I saw Mr. Gould's head pop up on that because you are going to be a part of that as well, but you had noted that the FDIC has developed a seller financing program for nonbank bidders to increase competition by including private equity firms and other nonbank entities. Do you believe this would ultimately reduce the cost to the DIF, to the Deposit Insurance Fund?

Mr. HILL. Absolutely. That is the goal. We are taking a number of steps to try to improve the bidding process to facilitate more and better and lower cost bids and try to bring more capital into the bidding process. The ultimate objective of all of it is to, A, reduce the cost to the DIF, and B, increase the likelihood of stabilizing transaction options in the event of large failures.

Mr. HUIZENGA. Right. So, my bill, The Enhancing Bank Resolution Participation Act directs the FDIC and OCC to jointly study the feasibility and utility of shelf charters, meaning pre-approved, ready-to-go entities that are a capital-raising vehicle to bid on failed banks and on modifications that could be pursued to modify the bidder qualification. In the last 30 seconds here, do we need to address the bank resolution framework at the same time as the FDIC network, Mr. Gould?

Mr. GOULD. Thank you for the question. You know, I do share, I think, many of the concerns that the acting chairman has stated publicly around the resolution execution capabilities that were on display, or their lack thereof, in the March 2023 timeframe. So, certainly, I support both, A, more robust public disclosure around what occurred during that timeframe so that, B, Congress can then inform itself——

Mr. HUIZENGA. Yes.

Mr. GOULD [continuing]. as to whether it needs to act from a statutory standpoint.

Mr. HUIZENGA. Right. My time has expired. I do, without objection, would like to submit this letter from a joint trade statement for the record regarding our hearing today.

Hearing none, so moved.

[The information referred to can be found in the appendix on page 114.]

Mr. HUIZENGA. With that, my time has expired, but we are going to take a brief pause here as a committee. The minority is aware of this as well and we are going to pause briefly while we adjust the witness' microphones and we will return shortly. So, with that we take this pause.

[Pause.]

Mr. DAVIDSON [presiding]. I am prepared to resume. The gentleman from Illinois, Mr. Foster, who is the ranking member of the Subcommittee on Financial Institutions, is now recognized for 5 minutes.

Mr. FOSTER. Thank you, Mr. Chair. Let us see. I will start with Chair Bowman. I just want to thank you and your fellow Board members for the series of conferences that you have held in recent months. I was pleased to be able to attend two of them, one on the future of community banking and another on the future of payments, and it was really great to be able to sit there and actually

talk to the boots on the ground in these very important and emerging and traditional industries. I urge my colleagues, actually, if they get a chance to attend those and to try to do everything you can to encourage member attendance of those, and, frankly, I learned a lot.

Now, one issue that actually came up repeatedly in both of the conferences was the issues of fraud costs and the costs of preventing fraud. Comptroller Gould, the OCC, FDIC, and Board of Governors recently issued a request for information on potential actions to address payments fraud. You know, I regularly hear about this from community bankers in my district all around Illinois about the challenges that they face with payments, largely identity theft, and then check fraud, in large part, check washing. The comment period closed in mid-September for this, and I know that bankers are anxiously looking forward to the next steps.

So, Comptroller Gould, do you have any initial takeaways from the RFI that you can share, and what can we expect in terms of next steps from your Agency, and when might we see them taken?

Mr. GOULD. Thank you very much for that question, Congressman. In the 4 months I have been on the job, that is certainly an issue, fraud, that has risen to the top of my kind of to do list. It was not something that I was hearing nonstop 5 years ago when I last worked at the Agency. Back then, it was cannabis banking when we met with the community bankers, but now it is fraud, and I appreciate the seriousness of the issue. I think a lot of the things that we can do are probably steps that we have to take across the Federal banking agencies and even beyond.

Speaking just for the OCC, one thing that I have heard repeatedly from smaller banks is concerns around check fraud where the very largest banks, which happen to be national banks, are seemingly or allegedly very slow in refunding money owed to small banks. So, we have been, to date, facilitating those complaints and making sure that the very largest national banks are responding in a timely fashion. That is something I would like to look into further.

In terms, more generally of the request for information (RFI), again, I think that is something we need to work with across our three Federal banking agencies and possibly beyond but I think it is something that, certainly from the OCC's perspective, we understand is extremely important, given the volume and how it is impacting particularly smaller banks in a disproportionate manner.

Mr. FOSTER. Do any other witnesses have comments on the whole issue of and you know, a huge part of this is online payments fraud, but a big part of that is identity theft, and the tool at hand is your cellphone and the digital driver's licenses. If you are able to present online a Real ID-compliant digital driver's license which is in the technologies in everyone's cellphone, you can pretty reliably prove that you are who you say you are, even in an online transaction. You know, that stops the hackers in their tracks, at least for fraud that scales and so, I urge you to keep pushing on both of those. The check washing is a huge problem and the responses of banks, and also, I would just raise our game in electronic online identity verification. That could be a huge cost savings. One thing I heard about at that conference was just the

huge amount of costs that banks incur for trying to make sure that online transactions are valid.

Another thing that came out was a lot of discussion in the payments conference of the implementation of the GENIUS Act. One thing that came up, actually, with the small community banks a lot was the worry that interest-paying stablecoins would have the potential of pulling deposits out of particularly small community banks; that there are some estimates that say that interest-bearing stablecoins could cause more than $6 trillion of deposits to leave the banking system, and particularly the small banks that are often the only source of business investment in small towns.

I was just wondering even though we had a nominal prohibition of paying interest on what got voted out of this committee, it took the crypto industry about 2 days to figure out how to effectively pay interest on this. Is this something that you think you are going to need congressional action on to prevent this from happening? Anyone wants to take a bite of that? Do we need legislation?

[No response.]

Mr. FOSTER. If you could answer for the record, yes, how serious do you see this problem because I just heard about, uniformly, that the small community bankers that were present at that conference were terrified and angry about the threat. This is, essentially, the reemergence of narrow banking that the Federal Reserve has traditionally objected to for——

Mr. DAVIDSON. The gentleman's time has expired.

Mr. FOSTER. Thank you.

Mr. DAVIDSON. I now recognize myself for 5 minutes. I want to say thanks for you all being here today. Thanks for your preparation and for your testimony today, but in this committee, we have been hammering home a simple truth: America's financial institution and our system thrives when regulators stick to safety and soundness, not targeting political rivals or picking winners or losers in the marketplace, weaponizing the laws and, frankly, the lack of laws in our government.

Under the Biden Administration, we saw Operation Chokepoint 2.0 resurrected from the Obama Administration where Chokepoint 1.0 was. We saw it in full swing. Regulators were weaponizing "reputational risks" to bully banks and to debanking political rivals, crypto innovators, stablecoin pioneers, and everyday folks just trying to build a future. It was not about risk. It was about control but here is the good news. The Trump Administration is slamming the door shut on that nonsense, and many of you are in place to do that, to just follow the law and apply even-handed regulations, so thank you. We have withdrawn poison pill guidance and banned reputational risk from exams, and we are ready to unleash American leadership in our financial sector, including our digital asset sector. So today, I want to lock in the progress and make sure there is no Chokepoint 3.0 or anything like that underway.

Vice Chairwoman Bowman, how is the Federal Reserve turning the page on Chokepoint and approaching bank participation in all markets, particularly digital assets?

Ms. BOWMAN. Well, as you mentioned, all of us are engaged in implementing the President's executive order on debanking and taking actions as a result of the directives that were contained

within that executive order. What we have done specifically at the Federal Reserve is that we have eliminated reputational risk within our examination context and within our supervisory function, whether that is in guidance or in regulation. We have rescinded and edited out the word "reputational risk," so it no longer is a part of the vernacular at the Federal Reserve and within our supervisory context.

We are also conducting an audit of supervisory and banking activity so that we understand whether we have met those expectations and that we can do so going forward. We are also reviewing the past activities at both the Board and at the Reserve Banks to identify actions that would be inconsistent with the executive order. We are also contemplating moving forward with a proposal that is similar to what the OCC and the FDIC have put forward to ensure that this is a durable change, and a proposal, an notice of proposed rulemaking (NPR), on eliminating reputational risk from the banking——

Mr. DAVIDSON. Yes, thank you. The Federal Reserve recently talked about a change to master accounts, potentially making them more accessible and more concrete set of rules. How would that work?

Ms. BOWMAN. We are currently exploring the options that we have within our regular framework for master account consideration, and it is something that could be potentially available as we are currently reviewing how that could be effective in a limited construct.

Mr. DAVIDSON. All right and then last, you mentioned that you are following the President's executive order, but one of the other executive orders that you put out with respect to digital assets is no development of a central bank digital currency. Obviously, at some point, portions of the Federal Reserve have been engaged in that. Is the Federal Reserve still engaged in developing central bank digital currency?

Ms. BOWMAN. There are parts of the Federal Reserve that continue to be engaged in activities related to global activities on central bank digital currency within the construct of the Bank for International Settlements and our participation in some of their work on innovation.

Mr. DAVIDSON. Does the Fed consider themselves subject to the President's executive order banning central bank digital currency?

Ms. BOWMAN. We believe that there is no authority that Congress would have to provide the authority for the Federal Reserve, specifically, to engage in creation of a central bank digital currency.

Mr. DAVIDSON. Thank you. Comptroller Gould, under President Trump's fair access rule, banks cannot deny services to an entire lawful industry. Has the OCC seen any evidence since January 2025 of national banks continuing to debank crypto firms?

Mr. GOULD. We are still in the process of going through the complaint data that we have received in accordance with the President's EO. I mean, I am aware of some anecdotal examples——

Mr. DAVIDSON. Right. We will look for the report, and you have kind of answered an adjacent question there, but I will just also add that, and you have alluded to cannabis banking, marijuana banking but I would love to submit a question for the record there

to see where the state of play is. Are banks still blocking customers who are engaged in lawful marijuana activities because nearly every State, whether you like it or not, has made some form of marijuana lawful in those States, and we have not synced up at the Federal level, so I would love to catch up on how we are doing that.

My time has expired, and I now recognize the gentlewoman from Ohio, Mrs. Beatty, who is also the ranking member on the Subcommittee for National Security.

Mrs. BEATTY. Thank you, Mr. Chairman and to our ranking member, and, more importantly, thank you for being here today. A lot of tough questions that you have had today because we are in tough times. Let me start with following up on something that my colleague on the other side, Ann Wagner, alluded to in talking about some 682,000 cases of check fraud.

As we know, fraud and scams are robbing American families of their hardworking savings. It is the number one concern that I am hearing from banks and credit unions in my 3rd Congressional District and this summer, I was really pleased to see that the FDIC, the Fed, and OCC issued a request for comments to address the payment and check fraud. So, we also know that Congresswoman Maxine Waters last Congress introduced House Bill 9303, Protecting Consumers from Scams Act. So, my question to you, and I will start with you, Ms. Bowman, and quickly work down to you, Mr. Hill, what are your top-line takeaways from the comments submitted, and what target areas are you looking to prioritize? So, are there any target areas, yes or no, and if so, give me at least one, and then we can——

Ms. BOWMAN. Yes, this is a critically important issue, and I think some of the most important areas that we should be focusing on are account openings.

Mrs. BEATTY. Thank you.

Mr. GOULD. Excuse me. One area for us to focus on, again, is the relationship between the largest national banks and payment processing and check refund returns and the community banks.

Mr. HAUPTMAN. I will say that Congress passed the GENIUS Act, and one positive of blockchains, especially public blockchains, is they eliminate some of these issues that can happen with other forms of payment. If you are asking about check fraud, obviously it has been around since we have had checks, and I am aware that the harm is not just those who are defrauded. It is the regular credit union member who is saying, "Why cannot you cash my check? Can you just give me the money? It is a certified check. Why do you not give it to me?" It is not their fault nor their credit union's fault, why that is the case, why there is a delay. So, we try to circulate on our website every new fraud that there is, from romance scams to check fraud.

Mrs. BEATTY. Mr. Hill.

Mr. HILL. Thank you, Congresswoman. I fully agree this is a big and growing problem. We are working very closely with our peer agencies as part of a working group. I fully agree with the comments from Vice Chair Bowman and Comptroller Gould. We are continuing to work through the comments and happy to follow up with more takeaways.

Mrs. BEATTY. I am glad you said, "follow up," because I would like you to stay in contact. This is very important, I am sure, to all of us, but in my district I am being held accountable for what am I doing, and you are right, it is an age-old thing, but it appears to be more prevalent now that we are seeing this. So, I would like to have some contact. I have my legal counsel and financial person, Sierra, here, and so this is something you are going to hear over and over from me.

Let me quickly go to the next question, and for you, Acting Chairman Hill and Chairman Bowman and Comptroller Gould, I would like to start with some questions on cybersecurity—we have addressed that a lot today—and the risk posed by third-party service providers and other technology solutions. As we know, cyber adversaries not only target financial institutions, but also Federal regulatory agencies. What are the steps you are taking to enhance the cybersecurity of your Agency and effectively notify financial institutions when there is a breach of confidence and sensitive information that regulators collect from financial institutions?

[No response.]

Mrs. BEATTY. Okay. Do you want me to pick somebody. Mr. Hill. Okay.

Mr. GOULD. I will be happy to start——

Mrs. BEATTY. Please.

Mr. GOULD [continuing]. since I certainly raised the issue, and, unfortunately, the OCC was the victim——

Mrs. BEATTY. Right.

Mr. GOULD [continuing]. of a data breach that went on for almost 2 years. When we learned of the breach back in February, we engaged extensively with the banks that we supervised to let them know what we were doing, how we were addressing it, what information was exposed. I will say that, in addition to bringing on board multiple kind of forensic technical experts to analyze the issue and to make recommendations to ensure that the risk of this happening again is dramatically decreased, I actually turned our own examiners on our Agency to examine us as they would a bank to ensure that we had actually made the changes that the third party had recommended, the forensic consultants had recommended.

Mrs. BEATTY. Unfortunately, my time is up, so you all agree? Can he be the spokesperson for you all, and if it is a "no," you can then get back to me. Okay. It looks like you have some friends. They nodded. I yield back.

Mr. DAVIDSON. I thank the gentlewoman. I now recognize the gentleman from South Carolina, Mr. Timmons, for 5 minutes.

Mr. TIMMONS. Thank you, Mr. Chairman, and thank you to our distinguished witnesses for being here today. I want to begin by commending each of you for your efforts to maintain stability in our financial system in a way that protects consumers, reverses harmful one-size-fits-all policies, and provides much-needed clarity to our community banks and credit unions. This hearing is critically important as we work to ensure that our regulatory framework remains effective, transparent, and responsive to the needs of the institutions and communities it is intended to serve.

Vice Chair Bowman, I would like to begin with you. The Federal Reserve's recent finalization of revisions to the large financial institution's ratings framework is viewed by many as a commonsense and long-overdue improvement. Ensuring that banks are not judged solely on their single lowest component score will create a more accurate and balanced assessment of institutional health. Could you speak to the Federal Reserve's plans to implement this reform and how we should expect it to be faithfully and consistently implemented by examiners?

Ms. BOWMAN. Thank you for allowing me to provide some additional information and context to our large bank financial rating system. So, when the system was initially introduced in 2019, it allowed for a single deficiency. There are three categories that it consists of—governance and controls, capital, and liquidity—and the initial framework allowed for a deficiency in one of those categories, not requiring it to be as a financial matter, but any of those categories could determine a bank to be not well managed. As we know and as we saw in Silicon Valley Bank's failure, banks fail for a number of reasons that are highly predictable and always related to their financial condition. So, it is important that we are not artificially judging an institution to not be well managed if we are not reviewing their financial health as a part of that determination.

Mr. TIMMONS. Thank you for that. Turning now to the need for greater regulatory tailoring, I want to thank you both, Vice Chair Bowman, and you, Chair Hill, for supporting efforts to refine our regulatory regime and for advancing the policies that this committee and our colleagues in the Senate have worked on throughout the year. I consistently hear from banks and credit unions in my district that an overly burdensome regulatory framework forces them to divert time and resources away from serving their communities. At the same time, I recognize that limited resources pose challenges, not only for financial institutions, but also for the agencies charged with supervising them. Reforming standing policies, such as the community bank leverage ratio, along with implementing initiatives like my SMART Act will strengthen our financial system and allow institutions of all sizes to better support their customers.

Chair Hill, as we consider these efforts, how does your Agency plan to improve the consistency and clarity of the supervisory process, and would legislation such as the Supervisory Modifications for Appropriate Risk-based Testing (SMART) Act and the Tailored Regulatory Updates for Supervisory Testing (TRUST) Act help conserve Agency resources in a way that ultimately enhances the quality of supervision?

Mr. HILL. Thank you, Congressman, for the question. So, we are engaged in taking a close look at many aspects of our supervisory process. Trying to promote more consistency and clarity across the board are key goals that are informing many of the activities that we have underway. The proposed rule we issued with the OCC that would define unsafe or unsound practice and matters requiring attention is partly intended to achieve more consistency across exam teams. Our supervisory appeals process that we have proposed is also intended to promote more consistency, among other things.

With respect to the legislation, I am certainly happy to work with you and your office on providing feedback to anything that would be helpful.

Mr. TIMMONS. Sure. Thank you for that. Finally, I want to turn to digital assets, your Agency's plans for implementing GENIUS, and the broader conversation around future market structure legislation. In August, I hosted roundtables in my district with stakeholders from across the financial sector. A consistent theme was the future of crypto legislation and how traditional financial institutions are preparing to participate in this evolving market. These legislative efforts have the potential to reshape our financial system and reduce unnecessary intermediaries. As this work moves forward, it is essential that our financial institutions remain informed and fully equipped to adapt so that they are not left behind. Chair Hauptman, you and I discussed GENIUS implementation a few months ago, and I would appreciate an update on the NCUA's preparedness. I would also welcome your thoughts on how we can more effectively educate credit unions in South Carolina about the work underway in Washington.

Mr. HAUPTMAN. Well, Congress has given us a deadline, I believe, of July 18 next year, and it is my intention to work with my fellow regulators to meet that deadline. Obviously, that is going to be proposed rules and then final rules. We are sitting here on December 2 and do not have either one of those yet, so, obviously, between now and July, it is supposed to happen. My guess is the first thing you will see is, I believe, the first rulemaking you mentioned, which is how to apply to be an issuer, which for credit unions would be credit union service organizations because they do not have subsidiaries.

Mr. TIMMONS. Thank you for that. I am out of time. With that, I yield back. Thanks.

Mr. DAVIDSON. I thank the gentleman. The gentleman from California, Mr. Vargas, who is also the ranking member of the Task Force on Monetary Policy, is now recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Mr. Chairman. I want to thank the chairman and also the ranking member, and in particular, the ranking member. I think what she said today was not only true, but courageous. It is sad, but I do think we are living through a pretty shameful moment in our history, and I think that is how history is going to see it. I think a lot of the people that are here today, 10 years from now, are going to see themselves as Liz Cheneys and Adam Kinzingers, but they were not. They were not. They allowed all this corruption to go on, and it is sad.

I have been in politics for a long time. I got elected back in 1993, and it is interesting. In a hearing like this normally what happens is, as politicians, we make a statement, and our statement is pretty political, as mine just was. Then normally, we go to the professionals, and the professionals give us information that is very important for us to make decisions but it is seldom the case that the professionals use the jargon of politicians, and that is been the case most of the time that I have been here, with the exception of today. I was very interested because some of the jargon that was used today, "unelected bureaucrats"—by the way, that is called professionals—"unelected bureaucrats," "the weaponization of finance."

All of this jargon is jargon that is used by politicians that should not be used by professionals, and we saw that today, and I think that is disappointing.

Anyway, I wanted to say that because I do see a sliding right now of professionalism in the government, and I think it is sad, and also intellectualism, frankly. I mean, I see today we are trying to figure out if what we are doing at sea right now is legal or not. You know, it is the equivalent of bayoneting the wounded when you have survivors on a ship and you hit them again. I mean, clearly war crimes, and this is what happens when we de-professionalize the government and those that are supposed to carry out the laws. So, anyway, I was disappointed in some of the jargon here today, and I will leave it at that.

Now, I do want to turn to climate change. Now, I think climate change is something that is interesting because I have been around, again, a long time and it used to be that no one believes in it. Now, a lot of people do. So, I would ask you guys, how many of you believe in climate change? I will start with you, Mr. Hill, because you are closest to me.

Mr. HILL. Yes, sir, I do.

Mr. VARGAS. You do. Why do we not go down the line?

Mr. HAUPTMAN. The climate is changing. That is correct, sir.

Mr. VARGAS. Okay. It is changing. Okay. I will not go into the human aspect, but you do think the climate is changing, yes?

Mr. HAUPTMAN. Our view on climate change and natural disasters, which are a risk to financial institutions, is that the local communities are best served to do it. Nobody in Florida or Puerto Rico needs me to tell them they have hurricanes.

Mr. VARGAS. That is right. Sir?

Mr. GOULD. Whether you call it global warming or climate changing, yes, I understand the climate is changing.

Mr. VARGAS. Okay. Vice Chair?

Ms. BOWMAN. I think climate change is an important policy question, and natural disasters and events happen all the time. I am from Kansas, so I am particularly familiar with things like tornadoes and floods.

Mr. VARGAS. Yet, you guys are pulling back from that information. It seems like you are not participating like before. Are there no financial risks then? You are the prudential regulators. You do not see risks here in climate change? Well, I am from California, two fires. It is interesting people never talk about Kansas or places where they get hail because some of the largest damage that you see in insurance is actually hail, and you are going to see more and more of that because of climate change, and I think it is going to affect the mid-part of the country significantly. I think it is a real risk. I think most of humanity thinks it is a real risk, except for us today. Would anyone like to comment on that? Mr. Gould, go ahead, sir.

Ms. BOWMAN. May I?

Mr. VARGAS. Yes.

Ms. BOWMAN. May I?

Mr. VARGAS. Yes, yes, please do.

Ms. BOWMAN. So, I think it is not that these events are not risks. It is that they are not more important risks than other risks that

banks face, and we believe that banks have been facing these risks. Obviously, I am a community banker from a mostly rural and agricultural bank, where farmers are the most optimistic people on the planet who have to mitigate and manage to what the weather gives them every year. So, they have been managing for these risks for the entirety of the banking system, and it is not that they are not important risks. It is that they are not more important than other material risks.

Mr. VARGAS. Okay. Okay. We could disagree on how important it is, but just, last, I would like to say I hope you do not slide into this unprofessional jargon. Keep it tight, as they say when I used to play football. Do not slide off and start to speak like politicians. Thanks again. With that, I yield back.

Mr. DAVIDSON. I thank the gentleman. The gentleman from Pennsylvania, Mr. Meuser, who is also the chairman of the Oversight and Investigations Subcommittee, is now recognized for 5 minutes.

Mr. MEUSER. Thank you, Mr. Chairman, and certainly thank you to all of you. This is very important and worthwhile, so it is appreciated. Comptroller Gould, Vice Chair Bowman, Chair Hill, and Chair Hauptman, thank you.

First on Basel III Endgame, we need capital rules that strengthen safety and soundness without limiting access to capital for large and small businesses. Second, this committee's debanking report validates our concerns. Last Congress, Biden regulators pressured, many banks were coerced to comply, and lawful Americans lost access to banking services.

Mr. Chairman, I ask unanimous consent to enter into the record the majority staff debanking report entitled, "Operation Chokepoint 2.0: Biden's Debanking of Digital Assets."

Mr. DAVIDSON. Without objection.

[The information referred to was not submitted prior to printing.]

Mr. MEUSER. So, I appreciate Comptroller Gould, Vice Chair Bowman, and Acting Chair Hill's early action regarding debanking by eliminating reputational risk, which our colleague, Representative Barr's bill, the Financial Integrity and Regulation Management (FIRM) Act, has codified. In order to achieve fair access to banking, the private sector has a role to play as well, of course. Third, financial fraud and scams are rampant, and this committee is committed to a government, private sector, and a whole-of-society effort to protect consumers, seniors, veterans, young people, small businesses, everyone out there, and that is a top priority for my Subcommittee on Oversight and Investigations.

So, Vice Chair Bowman, I would like to start with you, please. You have been very clear on Basel III Endgame, very refreshing, as a matter of fact, that it can have real benefits if calibrated properly for bank lending, especially for community and regional banks. In your view, how can rightsizing and capital requirements that primarily affect larger banks help support small business and agricultural lending?

Ms. BOWMAN. If we are speaking specifically about Basel III, it is important to understand that the approach that we are taking limits the application of Basel III and the required participants to

the largest banks. So, those requirements would not apply to the smallest banks unless they chose to opt in to that framework.

Mr. MEUSER. Okay. Let me ask you this then. Do you plan to examine the Tier 1 leverage requirements, the G-SIB surcharge, the Comprehensive Capital Analysis And Review (CCAR) requirements as part of your effort to rightsize capital?

Ms. BOWMAN. So, we are looking at all the capital frameworks and the capital pillars in a comprehensive way. We have already worked to address the community bank leverage ratio by setting it at the statutory floor that Congress provided us. I think there are a number of different categories that we are looking at. We will have a G-SIB surcharge proposal. We already introduced the SLR, and the other is the stress testing in addition to Basel III. We are making progress on all of these different capital pillars, and I would definitely tell you that we are not reverse engineering an outcome.

Mr. MEUSER. Right.

Ms. BOWMAN. We are looking to do risk assessments that would allow for us to set these calibrations according to risk.

Mr. MEUSER. Okay. Thank you and to be clear the Basel III would have greatly destabilized, if you will, our banking community and not helped community banks nor helped larger banks.

Ms. BOWMAN. In its previous proposal's iteration, yes, I agree.

Mr. MEUSER. All right. Comptroller Gould, the banking report this committee issued yesterday detailed how Biden regulators pressured banks to debank crypto, energy, firearm companies, as well as politically disfavored groups, resurrecting Operation Choke Point that started under Obama. What recommendations do you have for private entities to ensure they have eliminated any internal systems or policies implemented to comply with the Biden-era regulatory pressure?

Mr. GOULD. Thank you for the question, Congressman. As I noted before, we are still in the process of reviewing complaints and conducting our review. I would say, in general, though, that overreliance on negative news searches, which is, I think, sometimes a feature of reputation risk, could, again, in an over-reliance situation, be problematic, as well as categorical prohibitions on performing or providing financial services and products to lawful business activities.

Mr. MEUSER. Okay. Thank you. Chair Hill, the FDIC under previous Chair Gruenberg issued pause letters, asking banks to cease all activity with crypto companies. What changes have you initiated and have planned for the FDIC to prevent regulatory abuse in the future?

Mr. HILL. Well, thank you, Congressman. So, first and foremost, we undid the policies of the past few years. So, we rescinded the guidance that required prior approval. We now treat digital asset activities just like any other novel activity where banks are expected to manage the safety and soundness risk but, otherwise, have no prohibitions to serving those industries. I think promoting durability of our policies is something that is always a consideration, and so we are considering a number of steps to try to ensure that these types of things will not happen in the future.

Mr. MEUSER. Thank you. My time has expired. I yield back, Mr. Chairman.

Chairman HILL of Arkansas [presiding]. The gentleman's time has expired. It is now my pleasure to recognize the gentleman from Illinois. Mr. Casten, you are recognized for 5 minutes.

Mr. CASTEN. Thank you, Mr. Chair, and thank you for the quick bit of exercise from the ranking member. Thank you all for coming.

In 2023, former Vice Chair Barr said that the 2023 bank failures caused a reassessment of the viability of uninsured deposits as a funding source across the banking system. In 2024, the Financial Stability Oversight Council (FSOC) raised further concerns about some banks' reliance on uninsured deposits, and it could make them more vulnerable to runs. Acting Chair Hill, I think you had raised this concern in your Senate confirmation hearings, and if I am getting this right, you had specifically said that the FDIC does not even have the data necessary on the number of uninsured deposits above and below the various thresholds other than the $250,000 limit. Without getting into details, I am curious, in your time in this role, have you directed the FDIC to start trying to get that data?

Mr. HILL. So, I have long believed that more granular deposit data would be useful for a number of purposes——

Mr. CASTEN. I would love to get into the what you are doing.

Mr. HILL. Sure.

Mr. CASTEN. I am just curious if you have initiated any process there or not.

Mr. HILL. So, I would say there have been conversations. I have raised this at the Federal Financial Institutions Examination Council (FFIEC). That is where most reporting is done through.

Mr. CASTEN. Okay.

Mr. HILL. I would say, at this stage, I know there are institutions that are collecting data, but we have not taken any steps——

Mr. CASTEN. Okay. So, still important, but have not done it yet. So, the New York Fed recently issued a paper saying that they are noticing deposits are flightier right now, and specifically in response to interest rate changes, finding that there are run risks, particularly when rates go up. The Wall Street Journal reported recently that wealth management clients are more likely to pull deposits out and chase higher yield when interest rates are rising. So, Vice Chair Bowman, I guess what I am wondering is the Fed doing anything to monitor what happens if those risks run out of the traditionally regulated financial system, to private banks, to other alternative investment vehicles? Are you doing any enhanced reviews of where that deposit flight might go?

Ms. BOWMAN. To the extent that we are aware of that, as a part of our work on financial stability, we monitor as much as we can according to the data that we have, and we are able to see the transit of funding throughout the system. I am not sure that we have specific data about whether it is going from the financial institutions into any particular entities. We do not collect data that would tell us that. We would be able to determine if funds have left the financial system, though, through call report data.

Mr. CASTEN. Yes and I guess I do not mean leaving the financial system, but we have the surge of private banking——

Ms. BOWMAN. Right.

Mr. CASTEN [continuing]. all sorts of different types of things that are deposit-ey——

Ms. BOWMAN. Mm-hmm.

Mr. CASTEN [continuing]. but not within where the FDIC or others would have oversight and my concern is that if we got a lot of dollars that are in some other part of the system and we are not monitoring it, that is a risk at some point.

I am particularly concerned about how this all affects stablecoins. As Mr. Foster noted, there was a Treasury Department report in April: stablecoin adoption could result in over $6 trillion in deposit outflows. There are a number of other reports that have said that. I guess, Acting Chair Hill, do you all have good data on how stablecoins may affect deposit outflows? Have you started looking at that question?

Mr. HILL. That is certainly something that we are paying a lot of attention to. I do not think anybody knows what type of impact deposit flows into stablecoins could have on the system. I know there are estimates out there. I think those are basically just guesses.

Mr. CASTEN. Well, let me ask a more specific question then because I think this may answer whether or not there is likely to be deposit flows. There was language that the Senate added to the GENIUS Act that I think creates a huge problem for your Agency. It says that "The claims of a customer with respect to payment stablecoins shall have priority over the claims of any other person, other than the claims of another customer with respect to payment stablecoins." So, if there is a bank run and you have customers of stablecoins with deposits in a bank that are not insured, that language would suggest that they have a senior claim. Have you made any effort to interpret that language? How are you going to deal with the conflict if we get in a situation like we got to in 2023 when Circle's deposits were sitting there in uninsured accounts and there was a run? Should a stablecoin depositor assume that you are going to place that customer in a senior position to insured depositors?

Mr. HILL. I would have to go back and look at the statute to make sure I am correctly understanding it, but my understanding is that language is applicable if the stablecoin issuer fails, not if a bank fails. From our perspective, we would still have our normal authorities, our normal priority in the case of a bank failure. That is just the provisions that would apply to a bankruptcy proceeding if a stablecoin issuer fails.

Mr. CASTEN. Okay. We could use some clarity, particularly, as the chair, ranking member had noted, there is some shadiness as far as who is making these deposits——

Chairman HILL of Arkansas. I thank the gentleman.

Mr. CASTEN. I yield back.

Chairman HILL of Arkansas. Your time has expired. The gentleman from Texas, the chairman of the House Small Business Committee, Mr. Williams, you are recognized for 5 minutes.

Mr. WILLIAMS of Texas. Thank you, Mr. Chairman, and good to see all of you today. Thank you for being here.

The previous Basel III Endgame proposal would have substantially raised capital requirements for an already well-capitalized banking industry. One of my main concerns with the previous proposal was the negative effects these requirements would have on small business lending. Under the provisions in the proposal, credit would have become more expensive and harder for Main Street businesses to secure. As you continue your work on the Basel III Endgame proposal, I urge you to ensure the revised framework avoids imposing unnecessary burdens to restrict Main Street America. So, Vice Chairman Bowman, could you elaborate on how the Fed will ensure any changes to the capital levels will not disrupt the flow of capital to Main Street businesses?

Ms. BOWMAN. Thank you for that question and the opportunity to clarify the work that we are doing around Basel III. I think it is very important as we are working toward reviewing the capital framework that we are not disincentivizing providing lending or other types of activities to those businesses that make our economy run. The purpose of the work that we are doing is to ensure that the banking system can support the economy in a way that allows the United States to continue to be the economic powerhouse that we are.

Mr. WILLIAMS of Texas. Okay. Thank you. Chairman Hill and members of the committee, myself included, sent a letter to the Fed, OCC, and FDIC, urging you to take a closer look at how enhanced prudential standards are being applied across Category 2, 3, and 4 banks, and to update static thresholds so that supervision reflects the actual risk rather than outdated asset lines and these enhanced prudential standards (EPS) thresholds were set in 2019 and have not been increased since then, even though the Agency said they would evaluate them regularly through notice and comment. Not indexing these thresholds has created an artificial constraint on banking activity that hurts the economy across the country and in districts like mine back in Texas. So, will each of you, the Fed, the OCC, and the FDIC, commit to working on an interagency basis to index these EPS thresholds? When could that happen, do you think?

Ms. BOWMAN. Yes, we will commit to reviewing our thresholds and indexing them.

Mr. GOULD. Enhanced prudential standards are the purview of the Fed as they apply at the bank holding company level, but we are doing similar things at the national bank subsidiary level as well.

Mr. HILL. Likewise, happy to commit to reevaluating and indexing thresholds where appropriate.

Mr. WILLIAMS of Texas. Okay. All right. Thank you. This committee has held several hearings examining the concerning trend of consolidation in the banking sector. The Federal regulators' response to March 2023 failures muddied the waters on statutory functions such as the least-cost resolution mandate. Acting Chair Hill, how can Congress enhance the FDIC's resolution process, such as by providing greater flexibility, to the least-cost mandate in order to promote greater transparency and competition?

Mr. HILL. Thank you for the question, Congressman. I think allowing additional flexibility under the least cost would be useful in

certain circumstances. There are a variety of possible situations where the FDIC may have two resolution options that are very similar in cost, but there are significant benefits to one or the other. Today, there is essentially no discretion, and so it needs to be a mechanical choice to choose the least-cost resolution option. I think Congress would still want to ensure that there was discipline around any flexibility to ensure that costs still remained a primary consideration, but I do think there are situations where having at least a little bit of additional flexibility would be useful.

Mr. WILLIAMS of Texas. I have limited time, but one more question, Chairman. How might a stricter set of conditions to weigh the national deposit cap for the acquisition of a failing or failed bank help reverse the trend of consolidation in the banking sector?

Mr. HILL. Certainly, a lot of considerations there, but as I am sure you are aware, today, there is an exception to the caps in the event of a failed bank acquisition. I know there is legislation in place that would potentially allow some more flexibility in those types of situations. Again, I think from my perspective, at a broader, more holistic level, I think having a little bit of additional flexibility around the least cost would be useful.

Mr. WILLIAMS of Texas. Well, again, thank you all for being here. I appreciate the testimony, and I yield back my time.

Chairman HILL of Arkansas. The gentleman yields back. The gentleman from New York, Mr. Torres, you are recognized for 5 minutes.

Mr. TORRES. Thank you, Mr. Chair. I have a question about the intersection of the financial system and AI. Private credit, banking, insurance, and AI CapEx are becoming increasingly interconnected. The AI sector is experiencing the largest capital boom since the railroads of the late 19th century, and AI CapEx has become a disproportionate driver of both economic growth and equity market performance. To what extent do you view the entanglement of private credit, banking, insurance, and multi-trillion-dollar AI CapEx as a potential source of systemic risk? I will start with the Fed.

Ms. BOWMAN. Well, thank you. As the entity responsible for financial stability in the financial sector, it is a very important question that you have just raised, and it is something that we have been watching very closely to seeing how the AI industry and its investment have been evolving. We have seen an increase in asset levels and their valuations over time, and it is something that we continue to watch, and we are definitely paying close attention.

Mr. TORRES. So, is that a yes? Do you view it as a potential source of systemic risk, or——

Ms. BOWMAN. Well, it is certainly one of the risks that we are looking at.

Mr. TORRES. I have a question about the independence of regulatory agencies, and I will start with the Fed. Do you see your regulatory Agency as independent of the President or as a creature of the President?

Ms. BOWMAN. The Federal Reserve is an independent, apolitical Agency, and as long as we continue to be transparent in the work that we do and we are accountable to Congress and the public, I think that should continue.

Mr. TORRES. What about the FDIC?

Mr. HILL. The FDIC is defined by statute as an independent regulatory Agency, but we have also always tried to coordinate our activities with other agencies throughout the government. So, that is something we continue——

Mr. TORRES. But independent. Okay. NCUA?

Mr. HAUPTMAN. The statute says that NCUA is an independent Agency within the executive branch. One way you could describe our independence is that we are obviously not on budget. The shutdown did not affect us. We are not funded via appropriations. That is one degree right there of independence, but, again, I concur with my colleagues, we have always coordinated with the White House, and they have been a big help this time.

Mr. TORRES. Comptroller, during your testimony, you spoke of your opposition to "the weaponization of finance," which is a sentiment I share. You know, we have seen President Trump publicly order the Attorney General to prosecute political adversaries. If the President were to order you to weaponize finance against those same political adversaries, what would you tell him? Would you tell him, no, Mr. President, the OCC has an absolute policy against the weaponization of finance?

Mr. GOULD. Congressman, thanks for the question. I am not going to engage in hypotheticals. What the President has told me through an executive order——

Mr. TORRES. Do you have an absolute policy against the weaponization of finance?

Mr. GOULD. Excuse me?

Mr. TORRES. Do you have an absolute policy against the weaponization of finance?

Mr. GOULD. There is a Presidential executive order that says that banks should not discriminate on the basis of politics, religion, or being engaged in a lawful business activity.

Mr. TORRES. Capital requirements. If capital requirements were at zero percent, there would be no safety and soundness. If capital requirements were at 100 percent, there would be no capital formation and so, the object of public policy is to find the best balance between the two, to find the Goldilocks level of capital requirements. Like, what is that Goldilocks level, and how do you determine that level empirically, and I feel I have not heard a satisfactory answer to that question from either side of the debate. You know, your predecessor insists that the system is undercapitalized. You seem to believe it is sufficiently capitalized. Like, what is the objective empirical standard against which those competing pronouncements are being made?

Ms. BOWMAN. The statutes direct a definition for different sizes of banks as well capitalized, so that is one measure that we can use. We can also look back at the capitalization of the banking system prior to the great financial crisis and the odds and determine that clearly was not the right level of capital in the system. So, the work that was done as a result of Dodd-Frank clearly improved the levels of capital and liquidity within the banking system. It more than doubled the levels of capital, and liquidity is very strong.

Mr. TORRES. Is there a specific number?

Ms. BOWMAN. I do not know that we know a specific number, but we are working to achieve a review of our capital requirements in

a way that allows us to assess the risk that certain activities present to the financial system or the banking system.

Mr. TORRES. I want to quickly ask about there has been public reporting that the Federal Reserve is planning to cut supervision and regulation division by 30 percent. As you know, the story of Silicon Valley Bank (SVB) was partly a story of supervisory failure. If my constituents were to ask me, Congressman, why on earth is the Federal Reserve cutting supervision by 30 percent following the supervisory failures surrounding SVB, what should I tell them?

Ms. BOWMAN. Well, Congressman, that is an excellent question, and I really appreciate the opportunity to clarify that. So, when we are talking about reorganizing, we are talking about the staff at the Board. Before the financial crisis, we had about 200-ish employees at the Board. None of them are actual supervisors. They coordinate the activities of those supervisors that are resident within our 12 Reserve banks. We are not talking about what we are doing with those supervisors, so they are completely separate.

Chairman HILL of Arkansas. The gentleman's time has expired.

Mr. TORRES. Thank you, Mr. Chair.

Ms. BOWMAN. I would love to provide you with more detailed information on our reorganization. Thank you.

Chairman HILL of Arkansas. The gentlewoman from California, the chair of our Subcommittee on Asia Pacific in the House Foreign Affairs Committee, Mrs. Kim, you are recognized for 5 minutes.

Mrs. KIM. Thank you, Chairman and ranking member, Maxine Waters. Thank you so much for hosting today's hearing, and I want to thank all of our witnesses for joining us today. Good to see you.

Community banks across California have relied upon the community bank leverage ratio to lower their regulatory burden and invest more capital in the communities around them. As you know, I recently introduced the Community Bank Leverage Improvement and Flexibility for Transparency (LIFT) Act that would review and reform the components of the leverage ratio and lower the bands of the ratio and it is for that reason I was really pleased to see the recent announcement from the Federal Reserve regarding a proposal to lower the community bank leverage ratio (CBLR) from 9 percent down to 8 percent. So, I want to ask you, Vice Chairwoman Bowman, at the current threshold of 9 percent, how does the CBLR framework's regulatory burden compare to the generally applicable risk-based framework?

Ms. BOWMAN. So, at 9 percent, it is about the same, double the regular or the well-capitalized requirement within the statutory requirements. By using the 8 percent that was allowed in the 2155 and the creation of the CBLR, we continue to be around the level of double the well-capitalized level.

Mrs. KIM. Thank you. I look forward to continuing to work together on the Community Bank LIFT Act and create the regulatory flexibility that community banks need to better serve our communities, but I want to shift away from the community banks and focus on the U.S. operations on foreign banks. So, continuing on our conversation with you, Vice Chair Bowman, as you work on amending the regulatory and supervisory process for U.S. banks, I want to ensure that you are also applying those changes to the U.S. operations of foreign banks as well. So, can I get your commit-

ment to the principles of national treatment and level playing field as you contemplate the changes to the regulatory process and supervision of foreign banks in the United States?

Ms. BOWMAN. It is absolutely appropriate for us to ensure that there is a playing field for foreign banks in their participation in the U.S. economy, and in economic activity and serving customers in the United States. This is certainly something that we will continue to keep in mind as we are reviewing our capital framework and the regulatory framework more broadly.

Mrs. KIM. Thank you. As you know, while those banks are headquartered internationally, they employ tens of thousands of Americans and have been essential to financing the U.S. economy. So, thank you for keeping that in mind as you contemplate those changes.

In Southern California where I represent, we are blessed not only to have strong community banking organizations, but also great credit unions as well. Having said that, I am concerned about the tools that are available to smaller credit unions in the event of a liquidity crisis. So I want to ask the next question to Chairman Hauptman. Right now, some associate credit unions lack access to the Central Liquidity Facility, CLF. What are some of the barriers that credit unions face in accessing that CLF, and how can we ensure that more credit unions have access to CLF?

Mr. HAUPTMAN. Yes. I appreciate you bringing that up, Congresswoman. Liquidity is obviously crucial for every financial institution. We examine for it. It is the "L" in CAMELS, and a liquidity crisis, if you could see it coming, it would not be called a crisis. The vast majority of credit unions, over 3,000, are below $250 million in assets, all right? For the small ones, the median number of employees is one. How do you get there? Because there are a lot that have zero, like church credit unions, where their employees are employees at a church.

For a period of time there, Congress allowed the corporate credit unions to serve as an agent when there is liquidity crisis. That authorization has lapsed. We have done everything we can to make applying for a central liquidity facility, making it easier to find on our website. It is only 12 pages. We promote how easy it is to do it. That said, the reality is most of the small credit unions do not have access to it. They have not gotten around to it for a variety of reasons, and for a period of time, they were allowed to use their corporate credit union as an agent in a liquidity crisis.

Mrs. KIM. Thank you. I would like to put in the last question. In the communities I represent, there are digital banks along with community banks and credit unions and the ones providing fair and affordable financial services to small businesses and working families. So, I want to ask you, Comptroller Gould, as you evaluate changes in supervisory and capital expectations, will the changes also apply to banks with the same asset threshold that focuses on novel, tech-driven businesses?

Chairman HILL of Arkansas. If I could ask the comptroller to respond in writing to the gentlewoman from California.

Mrs. KIM. I have time. Thank you very much.

Chairman HILL of Arkansas. You are overtime, I am sorry to say.

The gentlewoman yields back. The gentlewoman from Texas, Ms. Garcia, you are recognized for 5 minutes.

Ms. GARCIA. Thank you, Mr. Chairman, and thank you for all the witnesses for joining us today. I am glad we got to sneak this hearing in before the end of the year. For a second there, I was worried we would go through the whole year without hearing from our regulators, so welcome.

In summary, this committee has not yet had the opportunity to hear from the acting director of the Consumer Financial Protection Bureau—CFPB—despite the statutory mandated semiannual report to Congress. So, since I cannot ask Director Vought, I will ask Vice Chair Bowman, in the absence of the CFPB, do you know if anyone, anyone at all, is supervising and examining the largest banks in the Nation for compliance with Federal consumer protection laws?

Ms. BOWMAN. Well, thank you for that question. I, too, value the importance of consumer compliance regulation and enforcement and supervision. I oversaw that capability at the Federal Reserve for the first 6 years that I was on the Board. We do have a responsibility at the Federal Reserve for——

Ms. GARCIA. Okay. The question is, do you know of anyone that is actually doing it.

Ms. BOWMAN. We are. At the Federal Reserve, we have responsibilities for a narrow set of consumer compliance regulations for all sizes of institutions that are State member banks.

Ms. GARCIA. Are you aware of anyone else that has taken on the role of doing this?

Ms. BOWMAN. I believe that the other regulators have the responsibility in that narrow context as well.

Ms. GARCIA. So, Mr. Gould, is that true?

Mr. GOULD. Thank you for the question, Congresswoman. The OCC's approach to consumer protection has not changed, but as you know, under the Dodd-Frank Act and specifically Title X, the Consumer Financial Protection Act, the CFPB has certain exclusive authorities, such as supervision authority, for banks with more than $10 billion in assets.

Ms. GARCIA. So, but the question was, do you know if anyone that is actually doing the work of supervising and examining the largest banks.

Mr. GOULD. Again, Congresswoman, the OCC's approach to consumer protection has not changed, so we continue to have enforcement authority, but we do not have supervision authority because Congress stripped us of having——

[Cross talking.]

Mr. GOULD [continuing]. supervision authority in Dodd-Frank.

Ms. GARCIA. Mr. Hauptman?

Mr. HAUPTMAN. Just to make sure I get this right, do you mind repeating what you are asking?

Ms. GARCIA. I will repeat the question.

Me. Hauptman. Yes.

Ms. GARCIA. Since I cannot ask Director Vought, in the absence of the CFPB, do you know if anyone is supervising and examining the largest banks in the Nation for compliance with Federal consumer protection laws? In response, Ms. Bowman said that they

had some supervisory review, and that all the others do, which is why I am asking each one of you now.

Mr. HAUPTMAN. I got you. Yes, I would have it right the first time, but I am glad you repeated that. Less than half of 1 percent of credit unions are over the $10 billion threshold. Out of 4,300, I believe there are about 20 that the CFPB was onsite. So, all things considered, what the CFPB does or does not do is less of an issue for credit unions just given their size, but we are continuing to enforce the law——

Ms. GARCIA. So then your answer is no.

Mr. HAUPTMAN. You mean, are we examining that——

Ms. GARCIA. So, you are not looking at it because it is way above the threshold that credit unions——

Mr. HAUPTMAN. My point is that less than half of 1 percent of credit unions were examined by the CFPB in the first place. I am just trying to get my hands around the scale of the issue here, but we are certainly enforcing——

Ms. GARCIA. It is all right. Then I will now move on. Mr. Hill?

Mr. HAUPTMAN [continuing]. every consumer law.

Mr. HILL. Similar to my colleagues, we do have authority over certain consumer protection laws for the largest institutions that we supervise, and so we continue to fulfill those statutory obligations.

Ms. GARCIA. But you are not aware if anyone else has taken the role that CFPB specifically had.

Mr. HILL. That is correct.

Ms. GARCIA. All right. So, then I will move on. Earlier this year, the Agencies' and the President jointly issued a proposal to rescind the Community Reinvestment Act, the CRA. Because of ongoing legal challenges, the agencies are applying the 1995 regulations to the banks today. It is now 2025. Thirty years have passed, and with it came innovations and changes to the banking industry. Acting Chair Hill, do you think that the 1995 regulations are well suited to take into account modern online and mobile banking?

Mr. HILL. I think there are a number of reasons why the 1995 rule has challenges with it. We currently have issued a proposal to——

Ms. GARCIA. So, your answer is no?

Mr. HILL. I think modernizing CRA is something that is worth considering doing. I voted against the 2023 rule and thought it had a lot of flaws, and so I think——

Ms. GARCIA. So, do you have any plans now to do that among your cohorts here?

Mr. HILL. We have a proposal that is currently pending. We are reviewing the comments to that proposal, and so I think it is premature to say what our next step is, but I think reverting back to the 1995 rule is a better option than the 2023 rule that had been put in place that has never actually gone into effect.

Ms. GARCIA. Okay. I see my time is up. Mr. Chairman, I may submit my last question for the record and ask all the witnesses to respond.

Chairman HILL of Arkansas. Sure. I am sure they will. I thank the gentlewoman.

Chairman Hill from Arkansas. Now it is my pleasure to recognize the gentleman from Wisconsin, Mr. Steil, who serves as the chairman of the Digital Assets, Financial Technology, and Artificial Intelligence Subcommittee, for 5 minutes.

Mr. STEIL. Thank you very much, Mr. Chairman, and for holding today's very important oversight hearing.

I want to start with you, if I can, Ms. Bowman. You were asked by my colleague from New York about your supervisory reform plans. You ran out of time to be able to comment on that. Could you just briefly provide a little insight into what your reform plans are?

Ms. BOWMAN. Absolutely. Thank you for the opportunity to clarify that. So, at the time of the financial crisis, we had around 200-ish employees at the Board. That grew by 76 percent up until the current state today, where we had 500 authorized positions. Obviously, the addition of all of those supervisors did not help us with our focus on ensuring that banks' safety and soundness has been secured, as we saw by the failure of Silicon Valley Bank and some of the other banks that failed around that time. The way that we ensure that we are providing safety and soundness is to focus on financial risks. So, the work that we are doing now to reorganize our division will allow us to better align our work with those risks that lead to banks' failures.

Mr. STEIL. I appreciate it. So, it is better alignment and resourcing people on to the risks that we face. Let me shift gears completely but stay with you, if I can, Ms. Bowman. As you likely know, the Basel Committee applies a punitively high-risk weight for digital assets. Out of this committee, we passed the GENIUS Act, passing it, though I want to come over to how we are doing on the regulatory side in a minute but the chair of the Basel Committee recently said that a "different approach would be needed to address the mismatch between current Basel capital treatment and the reality we see in the crypto industry." Bank of England declined to use this. Can you comment on how you are going to work within this Basel framework or whether or not you view it as unnecessarily punitive as well?

Ms. BOWMAN. Well, I can confirm that I believe that the risk weights that were initially assigned prior to my joining the Basel Committee and the Governors and Heads of Supervision (GHOS) rule is that, that was an over-calibration of the risk. So, my hope is that there will be a recalibration of it at some point, or we will not join in on adopting that framework.

Mr. STEIL. I appreciate your comments. I am going to come to you, if I can, Mr. Hauptman. We passed the GENIUS Act, the first regulatory bill of substance in the crypto space. We had a huge opportunity with CLARITY in front of us. You have a big role on the regulatory side. Can you give us an update as to where we are at on the regulations moving forward in the GENIUS Act, briefly?

Mr. HAUPTMAN. Yes. I think stablecoins are an absolute game changer. This country, as advanced as we are with the biggest internet companies in the world, our payment system is very creaky. There are countries we give foreign aid to that you can settle 24 hours a day, 7 days a week.

Mr. STEIL. So, the faster we get this done, the better we are going to be. Where are we on the regulatory?

Mr. HAUPTMAN. Yes. You gave us a deadline of July 18. I and my fellow regulators are committed to doing that. My guess is the first rulemaking you will see will be the one on how to apply to be an issuer, but your constituents to benefit by having 7-day-a-week payment, which as you know, is difficult in this country.

Mr. STEIL. But are you committed——

Mr. HAUPTMAN. Yes.

Mr. STEIL. I am just coming to the time.

Mr. HAUPTMAN. Yes.

Mr. STEIL. I am fully with you on GENIUS——

Mr. HAUPTMAN. Yes.

Mr. STEIL [continuing]. why we did it here.

Mr. HAUPTMAN. Yes, sir.

Mr. STEIL. I just want to make sure that we get these regs——

Mr. HAUPTMAN. Fully committed, yes.

Mr. STEIL [continuing]. done on time. You are fully committed, and you believe you are in a position to deliver on that commitment?

Mr. HAUPTMAN. Yes. I think myself and fellow regulators, and I want to give credit to Secretary Bessent for making sure that Treasury is helping to convene that. I think we are on track.

Mr. STEIL. Thank you. I think that is just really important. We have seen instances across years in this committee where sometimes rules and bills are passed. We do not see the regulations come out on time. I appreciate your commitment to delivering on that.

I want to stay with you for a second. We have done a lot of work here, looking back at Chokepoint 2.0, and, in particular, how the broader crypto digital asset space was being governed by enforcement actions, incredibly unproductive mechanism to do that. I think we have a huge opportunity here to move forward CLARITY to prevent the type of abuse we saw with Chairman Gensler and with other regulators in the broader Biden Administration. How important is CLARITY being done to help guide you and those on your staff to be able to follow congressional intent, rather than engage in enforcement actions to drive forward policy?

Mr. HAUPTMAN. Regulation by enforcement, in my opinion, is unethical. There is not one person in this room that would tolerate it in any other part of our life. There has to be a speed limit first and then a speeding ticket after that. I am proud that it is actual NCUA policy. A future board can change it if they want to, but they would have to explain why they pulled down our regulation by enforcement policy, simply defined as no enforcement ever sets policy and the same protections that are——

Mr. STEIL. Will the Clarity Act help you on that?

Mr. HAUPTMAN. I do not want to comment on that, but you should not have any enforcement that ever sets policy.

Mr. STEIL. Very good. I appreciate all of you being here. Mr. Chairman, I yield back.

Chairman HILL of Arkansas. The gentleman yields back. The gentleman from California, Mr. Liccardo, you are recognized for 5 minutes.

Mr. LICCARDO. Thank you, Chairman. Vice Chair Bowman, I understand that Governor Waller recently previewed that Federal Reserve is exploring the creation through rulemaking of a new, what he called a skinny master account for eligible fintech institutions to be able to access the Fed's payment rails, and the target was to do so by the end of 2026. We have heard similar suggestions from Undersecretary Liang of Treasury. I think we have seen from Acting Comptroller Hsu suggesting that it should be up to Congress, at least it is not going to be in his regulatory role. My question for you, do you support expanded access to payment rails for nonbank institutions?

Ms. BOWMAN. We have currently a construct for the approval of different varieties of institutions with different risk categories. The third category does apply to non-depository institutions, and there are certain parameters around that decision framework. So, whether I agree with it or not, it is policy of the Federal Reserve that is part of our master account application review framework.

Mr. LICCARDO. Okay. As you know, there is a concern for many fintech companies about access to the FedNow rail, and their ability to do so without having to essentially contract with or partner or with a bank. At this point, you are saying the Federal Reserve is moving forward, and you are supportive of regulations to make that happen?

Ms. BOWMAN. What I am saying is I support exploring that opportunity, but we do have a framework that is currently in place that does allow for access for institutions that are not depository institutions to be considered for an application now.

Mr. LICCARDO. Okay. Given what you have said, do you believe it is important for Congress to offer any clarification through statute to ensure there is a clear path or do you believe this is something that can be handled entirely within the Fed's regulatory ambit?

Ms. BOWMAN. I am not familiar enough with the authorities to understand whether or not we would need specific additional authorities to do that. So, I am sorry, I cannot comment on that.

Mr. LICCARDO. Okay. If I can shift a little bit to stablecoin. I think both for you and for Chair Hill, I supported the GENIUS Act. I was proud to be an original co-sponsor of the House version that both Chair Hill and Chair Steil had authored, and I think it is important to set clear regulatory guardrails for stablecoin. I understand you all have roles to write and enforce regulations that will integrate stablecoin into banking in a way that is consistent with a sensible regulatory framework that prioritizes safety and soundness of depository institutions that you regulate.

Under the current GENIUS Act, it ensures the stablecoin issuers will have reserves in safe assets. It lists what those assets are, their deposits, their treasuries, the demand currency, et cetera, and the notion is that the valuations will not fluctuate much, and I assume you support having relatively safe assets serving that role and reserves. Is that fair, I guess, starting with Vice Chair Bowman?

Ms. BOWMAN. I think it would be helpful for me to understand what you mean by reserves. Are you meaning stablecoin reserves or could you clarify that for me, please?

Mr. LICCARDO. That is right, stablecoin reserves, yes.

Ms. BOWMAN. So, I think Congress has given a range of options for stablecoin issuers to use as potential reserves. So, yes, it would be important that they are stable, auditable, and immediately accessible for whatever regulatory framework that we would create.

Mr. LICCARDO. Okay. Given the time, I will just move quickly here. Given our shared goals of safety and soundness for financial institutions, would it make any sense to allow stablecoin to be backed by commodities—either Vice Chair Bowman or Chair Hill—that is for reserve to be commodities?

Mr. HILL. I mean, my recollection is the GENIUS Act is fairly prescriptive in what qualifies as eligible reserves, and to my recollection, I do not believe there are commodities that would qualify.

Mr. LICCARDO. I agree with you. I guess the question is, would it be sensible to expand it in that way.

Ms. BOWMAN. I think that is a decision for Congress to decide.

Mr. LICCARDO. Does it seem consistent with safety and soundness concerns that you obviously have in your everyday regulation?

Mr. HILL. Yes. I mean, I think it would be a different model. I mean, Congress set up a model where stablecoins are backed by super safe reserves. One could imagine different models where potentially there were different types of reserves, but then you might have other mitigating factors as part of the regulatory framework.

Mr. LICCARDO. Would you not be concerned about runs? I understand I am out of time.

Mr. DOWNING [presiding]. The gentleman's time has expired. I now yield myself 5 minutes.

First of all, I want to thank you all for being here. It is refreshing to have regulators in place that once again care about legitimate safety and soundness issues rather than advancing political agendas. So, I appreciate that.

I represent one of the most rural congressional districts. I have some very large counties that have less than 500 people in them. Actually, we have more cows than people in my district, and it is our community financial institutions that make sure that my constituents, particularly in cow country, have access to banking services. So, I am going to just go down the line on this one. This question is for each of you. What is the biggest regulatory barrier you see facing rural financial institutions, and what is your Agency doing to address it? I will start with Vice Chair Bowman.

Ms. BOWMAN. Thank you. Being from a rural community very similar to yours where we have more cattle and likely deer than people, I think it is very important in having been a community banker in that community. The importance of rightsizing the regulatory burden is absolutely critical for smaller institutions to be able to continue to serve their communities.

Mr. DOWNING. Thank you. Mr. Gould?

Mr. GOULD. I agree with that. I think it is the overregulation and oversupervision. One of the things that was occurring at the OCC too frequently when I took over in mid-July and what had occurred over the last 4 years was a situation in which we were not actually engaged in risk-based supervision. So, we were subjecting smaller banks to prescriptive requirements coming out of DC, which made no sense based on their business model.

Mr. DOWNING. Thank you. Mr. Hauptman?

Mr. HAUPTMAN. I am from a remote area as well. It was 26 miles to get to a McDonald's, so I hear you on that, and our local community institutions served an invaluable role that none of the big banks would. I would say BSA and AML are the things I hear over and over again. Every retiring executive who leaves it says, what are you not going to miss? They are going to miss a lot of things about running credit union. The thing they are not going to miss, you hear it over and over, BSA and AML. They say it is not the time I spend on it; it is the time I waste on it. That is one area where I think we could work together.

Mr. DOWNING. Thank you. Mr. Hill?

Mr. HILL. Yes, I would echo all the comments from my colleagues. I would say the two things that I hear most frequently from the smallest institutions are the cost of compliance and the cost of technology adoption, and we are taking a number of steps to try to make progress in those areas. On the compliance side, that includes things like reforms we are making to supervision. We recently just finalized a rule that would raise and index several dozen thresholds, almost all of which apply to community banks. I fully agree with the comments on BSA and AML, and we are heavily engaged with conversation with the Treasury Department and others on reforms to that process.

Mr. DOWNING. Thank you. Thank you all. Shifting gears here, the Financial Services Committee released a staff report yesterday on the Biden Administration's efforts to debank digital assets. This question is for anyone who wants to answer, but what lessons is your Agency taking from this report, and how are those lessons shaping the Agencies' broader approach to digital asset policy, including implementation of the GENIUS Act? Any takers? Mr. Gould?

Mr. GOULD. I think one takeaway for me, at least, is that if the activity is legally permissible, which the GENIUS Act just made payment stablecoins legally permissible, as well as, for example, the custody of digital assets, that is legally permissible. I think it is really incumbent upon the supervisors—so us, OCC—to work with the banks that want to engage in these legally permissible activities and ensure that they can do so in a safe and sound manner; that is, not put all the burden on the banks to come up with how to do it in a safe and sound manner.

That is what we saw over the last 4 years, and that was, essentially, the death knell for those activities that, again, were legally permissible and some banks wanted to engage in but if the regulators will not work with them to find a path to do it in a safe and sound manner, there is no way they can do it.

Mr. DOWNING. Right. Thank you. Anyone else? Mr. Hauptman?

Mr. HAUPTMAN. I will just add that under the prior administration, I have been at NCUA for 5 years. I was confirmed 5 years ago today. I am proud that working with my Democratic chair at the time, under Biden Administration, NCUA was the only regulator that I am aware of that not only was not hostile to digital assets that caused some of the debanking, but we put out positive guidance, two pieces, which is two more than anybody else put out during that time, and credit unions saw the other result of the

debanking. They got an enormous amount of attention and deposit flow from digital assets firms. Why? Because they were afraid of being debanked by the banks, which is where they had their money. I just want to add that.

Mr. DOWNING. Thank you. Any follow up?

[No response.]

Mr. DOWNING. Well, my time has expired. I want to thank you all for your comments there. So, now the gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you so much, Chairman. As you probably, all of you—I do not know—in October, the FDIC and OCC and Fed withdrew their interagency principles for managing climate-related financial risk. Are you all aware of that?

Ms. BOWMAN. Yes.

Mr. HILL. Yes.

Mr. GOULD. Yes.

Ms. TLAIB. Okay. Nodding. The associated framework required banks with over $100 billion in assets to consider climate-related financial risks and business strategy, risk management, and strategic planning. The Agencies claim that the principles are unnecessary because the Agencies' existing safety and soundness standards are adequate, but climate-related financial risk is unique. We all know that. The scale of potential impacts, I have seen it all alone in my own district, the complexity of the climate system, the existence of multiple positive feedback loops, the long-time horizons on which climate change operates are all singular.

Vice Chair Bowman, can you explain how existing safety and soundness standards will adequately capture the unique features of climate risk? Take the potential impact of climate systems, multiple tipping points, for example, whose precise thresholds are uncertain. You know, you just cannot really predict this, and which may lead to runaway changes that cannot be reversed.

Ms. BOWMAN. Well, it is important to note that banks are not climate scientists and they do not make predictions about what the climate will hold, but they do and have for since the dawn of time, or as long as banks have existed, understood how to manage risks from the environment and from natural disasters. I am from Kansas, a neighbor to your State. We frequently experience natural disasters and also agriculture is a common business service that is provided for lending from banks.

Ms. TLAIB. I mean, some of them——

Ms. BOWMAN. They know how to manage these risks, and in the aggregate, climate does not present a more material risk across the board than any other risk that banks face and they know how to manage these risks, so it does not make sense.

Ms. TLAIB. What do you take with the Federal memo? In the memo it actually says that the principles may be "distracting firms from the management and material financial risks." This implies that climate-related financial risks are not material. I mean, Vice Chair, do you believe climate-related risks are not material?

Ms. BOWMAN. I would not say that they are not material. What I would say is that they are not more important than other risks that banks face, and banks regularly manage their risks.

Ms. TLAIB. But dozens of billion-dollar climate disasters each year, correct?

Ms. BOWMAN. I do not know.

Ms. TLAIB. No. It is dozens of billion-dollar climate disasters happening each year, which destroy property and wipe out assets are no interest to investors?

Ms. BOWMAN. Well, it certainly is not that there is no interest. It is just that the risk that is posed by these events is not more material than other risks that banks face.

Ms. TLAIB. So, 10 years ago, former Bank of England Governor, Mark Carney, gave a speech titled—it is a very good speech, I recommend you all—"Breaking the Tragedy of the Horizon." In that speech, Carney noted a unique challenge for regulators. He said that the impacts of climate change will be most devastating in the future. Action to minimize those impacts is required right now, and Carney said, "One climate change becomes a defining issue for financial stability, and it may already be too late." Vice Chair Bowman, do you agree with that quote above?

Ms. BOWMAN. I do not agree with that quote, no. I think it overestimates the risk of climate.

Ms. TLAIB. Then would you determine if climate change poses a threat to financial stability or to the banking system? So, climate risk is no risk to the financial system.

Ms. BOWMAN. That is clearly not what I have said in this conversation, clearly.

Ms. TLAIB. So, you do not believe in what Carney is saying.

Ms. BOWMAN. I do not agree with what Carney says, no.

Ms. TLAIB. But you believe that climate risk is a financial——

Ms. BOWMAN. He is currently a politician in Canada, so it is hard to get by some of——

Ms. TLAIB. I know, Vice Chair. I think for me, it is the threat to financial stability and the fact that we do nothing about it right now.

Ms. BOWMAN. I would not say we do nothing about it.

Ms. TLAIB. But we have dozens of billion-dollar climate disasters right now.

Ms. BOWMAN. But banks do manage the risks that are posed by climate events.

Ms. TLAIB. No, I think they are just waiting for us to bail them out each time. Earlier this year, Chair Powell testified at the Senate Banking Committee hearing that due to climate change, "If you fast forward to 10, 15 years, there will be regions of the country where you cannot get a mortgage, okay? There will not be ATMs, or banks will not have branches or anything like that." Vice Chair, do you believe the Fed need to wait for such impacts before taking action, because I think in some places, some people cannot even get insurance right now.

Ms. BOWMAN. The Federal Reserve is not an insurance regulator. The States are the regulators for the insurance industry.

Ms. TLAIB. So, the Fed will bail out the States.

Ms. BOWMAN. So, those risks and that policy are the determination of the State commissioners, and they are overseeing them.

Ms. TLAIB. So, we are going to wait until all this happens. We do not really want to consider it.

Ms. BOWMAN. It is not the Fed's remit.

Ms. TLAIB. I know. Okay. All right. Thank you.

Mr. DOWNING. The gentlewoman's time has expired. The gentleman from Indiana, Mr. Stutzman, is now recognized for 5 minutes.

Mr. STUTZMAN. Thank you, Mr. Chairman, and I appreciate you all for being here. I am going to limit my time just because I want Mr. Garbarino to have time here knowing that we have a stop here. So, I want to jump right in it to Chairman Hill. Does the FDIC currently have the data necessary to accurately target and effectively implement any of the current deposit insurance reform proposals?

Mr. HILL. I would quickly make a couple of points, and I would first say, we do not have granular deposit data that would inform us on how many deposits are above or below certain thresholds above the $250,000 limit. That being said, I think under any circumstance, even if we had perfect data, any projections we would make would still have uncertainty because what we would not know is to what extent deposits would potentially move either from interest bearing accounts to non-interest bearing from banks that potentially have access to the expanded coverage from those that do not. So, I think there is going to be uncertainty no matter what.

Mr. STUTZMAN. Let me jump in here real quick, and you can maybe even finish that thought but when you appeared before the Senate Banking Committee, you shared your views with Senator Alsobrooks that raising deposit insurance coverage would not significantly increase assessment costs for banks, despite also saying that necessary data was not there and unnecessary depositor behavior could shift things. Can you share how you came to the conclusion that banks' assessments would not rise?

Mr. HILL. Sure. The position that I have taken is it is possible that we might not need to raise assessments based on the way that the Hagerty-Alsobrooks bill is structured. The way that they do it is they would have the increase in deposits phased into the reserve ratio over a 10-year period, and so I think when we think about the costs, there are a couple of elements to it. One is the mechanical piece, which is what is the technical impact on the reserve ratio? Based on the projections that we have, which, again, are subject to significant uncertainty due to data limitations and also just potential behavioral changes that could occur, but the projections we have suggest that it might be the case that the reserve ratio would grow more slowly rather than decline.

Then there is the other piece of it, which is the more fundamental piece, which is to what extent does this increase the exposure of the deposit insurance fund over the long-term, and I think that is also something where there are considerations on both sides of it. The FDIC is not a typical insurance company in the sense that when banks fail, we rarely pay insured deposits. Usually, we resolve failed banks by essentially selling the failed institution to the highest bidder and insured deposits, in particular, non-interest-bearing insured deposits tend to have a lot of value to potential acquirers. So, increasing the amount of insured non-interest-bearing transaction accounts could increase the value of those failed institutions, which potentially could bring cost down.

The flip side to that is, effectively, you are increasing the cost of liquidation. So, if you do not have an acquirer, the sort of tail risk of the maximum amount the FDIC might pay will go up, so those are a couple of the main considerations, but, again, I think it is going to be a complicated thing to project out but I think there is at least some justification to not raising assessments if the reserve ratio did not decline.

Mr. STUTZMAN. Okay. Thank you. I am going to yield back the balance of my time.

Mr. DOWNING. The gentleman yields. Just for situational awareness, we are going to recognize the gentlewoman from Georgia and then Mr. Garbarino from New York, and then we are going to adjourn. So, now the gentlewoman from Georgia, Ms. Williams, is recognized for 5 minutes.

Ms. WILLIAMS of Georgia. Thank you and thank you Chairman Hill and Ranking Member Waters for holding this hearing.

You all, I represent Atlanta, which has one of the largest racial wealth gaps in the country, and I was proud of our regulators' commitment to fostering inclusive economic growth and resilience, not only in Atlanta, but in communities across our Nation during the previous administration. Regrettably, the strides that we have made are now in jeopardy. Last year when we met with our prudential regulators, many of my Democratic colleagues reiterated one thing: implementing a Project 2025 agenda in the financial service space means risking our economy, favoring billionaires, and advancing priorities that will systemically hurt millions of Americans in the middle class or worse. Basically, it is exactly what you guys said, we should not be weaponizing our financial systems.

Fast forward, and our current President has so far acted in line with those same exact Project 2025 recommendations: eliminating key agencies or virtually eliminating key agencies or drastically reducing things like the CFPB and the Minority Business Development Agency. So far, most of the President's actions have been devastating to marginalized communities across the country, particularly impacting economic mobility. Even worse is the President's attempt to undermine and influence our prudential regulators who are meant to be independent.

Earlier this year, I joined with my colleagues, Congressman Emanuel Cleaver and Congressman David Scott, and sent a letter to the FDIC, to you, Mr. Hill, and voiced our concerns over DOGE's attempt to fire employees and merge the FDIC with other banking regulators. We never heard a response, but since we did not hear a response and we have you here before us today, I am going to ask you a few of those questions that were in that letter.

Mr. Chairman, I would like to ask for unanimous consent to insert the letter that we sent on March 28 for the record.

Mr. DOWNING. Without objection.

[The information referred to can be found in the appendix on page 118.]

Ms. WILLIAMS of Georgia. Chair Hill, my district is home to FDIC's Atlanta Regional Office. Earlier this Congress, there were reports that over 700 workers were fired or forced to accept buyouts, while 170 probationary employees were terminated without recourse. Can you provide an update on the status of those em-

ployees that were shuttered from work, and can you share how many employees were impacted in the Atlanta Regional Office?

Mr. HILL. Congresswoman, I would have to get back to you on specific numbers. It is certainly not true that 700 employees were fired. That definitely did not happen. We certainly try to respond to all letters that we receive questions, and so if you did not get a response, then I want to apologize for that, and we will make sure to respond to any questions that you have sent us.

Ms. WILLIAMS of Georgia. So, we have submitted all of the questions for the record, and I do hope that I get a response, and I figured you would not have an answer today, but since you have had since March 28, it is unfortunate that I still cannot get answers to those questions.

Mr. Hill, I understand that you are serving as the acting chair, serving on the Board with prior FDIC experience, so I would imagine that you know a little bit about how important the work of FDIC staff and their examiners are. Speaking from your experience, what would be the consequences of the FDIC not having enough experienced examiners and managers? What would be the consequences of not having enough staff to conduct oversight, which is a key role in this position?

Mr. HILL. I certainly agree with that. Having qualified and experienced safety and soundness examiners is core to one of our primary missions, which is promoting the safety and soundness of financial institutions that we supervise, and so we very much value the experienced workforce that we have. As I mentioned to one of the Congresswomen earlier, we are taking a number of steps to try to ensure that we are able to retain our experienced examiners.

Ms. WILLIAMS of Georgia. FDIC independence, as you know, ensures that banks remain financially strong and continue serving the communities that many constituents and minority-owned businesses rely on. Some of my colleagues on the other side may make it about politics but ensuring that the FDIC has the staff capacity to supervise 4,000 community banks seems like good policy to me, not just politics. Another issue my colleagues and I have concerns with are the reports alleging that the administration has looked into ways to influence the FDIC behind the scenes, including through unprecedented involvement by the White House. With the CFPB being gutted, attempts to fire Democratic board members at NCUA and the Fed, it is clear that the Trump Administration wants to influence our banking regulators with this policy. Mr. Hill, have you heard discussions recently with the White House being involved with the rulemaking process?

Mr. HILL. We have a process for issuing our rules. We have a board. It goes through our board process. We do coordinate with other agencies as appropriate, and that is something we continue to do.

Ms. WILLIAMS of Georgia. Mr. Hill, I have many more questions in the letter and that have evolved since March 28.

Mr. DOWNING. The gentlewoman's time has expired.

Ms. WILLIAMS of Georgia. I will submit them all and I really would appreciate a response. Thank you, Mr. Chairman. I yield back.

Mr. DOWNING. The gentlewoman yields back. The gentleman from New York, Mr. Garbarino, is now recognized for 5 minutes.

Mr. GARBARINO. Thank you, Mr. Chairman, and thank you all the witnesses for being here today. It is almost over for you all. I am going to go quickly.

Ms. Bowman, your predecessor had a lot of bad ideas and proposals that, thankfully, for our economy, those changes were not finalized. One of them I want to talk about is the mathematical function that determines capital requirements for securitization exposures, known as p-factor or penalty factor. Your predecessor proposed doubling this surcharge from 50 percent to 100 percent even though he had no data or analysis to support it, and some would say the existing p-factor is intentionally highly punitive toward securitization.

I asked Chairman Powell when he was here about this and whether or not they would consider changing it. He was unable to give me an answer when he was here back in February. So, rather than rubber stamping the Biden-era p-factor rate, will you commit to revisiting the p-factor for securitization by examining the data, quantitative analysis, and impacts on consumers through the cost and availability of credit for U.S. households and businesses?

Ms. BOWMAN. I can assure you that we are taking a completely fresh look at our responsibilities to implement the Basel III framework and that we are reviewing all of the comments that were received. There were hundreds of comments and that we will be reflecting on many of those in that proposal, and I would be happy to review the issue that you have raised. We want to make sure that there is empirical evidence that supports the issues or the calibrations and the factors that are included within the capital framework.

Mr. GARBARINO. I appreciate that answer, and I really do thank you for your continued work on the Basel re-proposal, and I want to switch gears just a little bit, talking about the Basel re-proposal. I want to encourage you to look at, carefully consider the impact of foreign banking organizations and the role they play in the U.S. financial services industry, specifically in New York, which I represent, has over, I believe, 200,000 employees of foreign banking organizations (FBOs). I just want a commitment also that your re-proposal will take into account the business models of foreign banks and also appropriately align the actual risks, operational and otherwise, posed by FBOs.

Ms. BOWMAN. I appreciate you raising that issue, and, yes, it is definitely something that we are reviewing and considering.

Mr. GARBARINO. I appreciate that, and I am going to yield really quick, so he can ask a question to my colleague from Nebraska, Mr. Flood.

Mr. FLOOD. I thank the gentleman from New York for the opportunity. I will be brief. On October 7, the OCC and the FDIC published a notice of proposed rulemaking where you were defining "unsafe or unsound practice" under Section 8 of the FDIC Act, and, Comptroller Gould, let us start with you. If the definition you have jointly proposed were in place in 2022, do you feel it would have changed the way examiners would have been looking at the Silicon Valley Bank before its demise?

Mr. GOULD. I do. That level of embedded interest rate risk on that bank's balance sheet sure seems to me like a material financial risk.

Mr. FLOOD. Acting Chairman Hill?

Mr. HILL. I would agree. I think the SVB experience is one of the key inputs into the motivation to reorient our focus and so the full intent would have been for the focus to have been different.

Mr. FLOOD. Additionally, as part of the OCC-FDIC proposal, matters requiring attention, or MRAs, must be tied to circumstances posing material harm to the financial condition of the institution or a material risk of loss to the deposit insurance fund. Quickly, for both of you. I know you both feel strongly that this change will ensure the MRAs remain closely tethered to the types of material risks that are the core of safety and soundness. How do you ensure this change does not go too far in tying the hands of examiners when they see genuine material problems within an institution?

Mr. GOULD. Well, again, I think it ties into material financial risks, which are the risks that we really cannot afford to miss, but, of course, supervisors have other tools available, including the ability to still cite banks for actual violations of law.

Mr. FLOOD. Chairman Hill?

Mr. HILL. We put a lot of thought into how the definitions were worded and how they were described in the preamble of the proposal. It is a proposal now. We are receiving comments. We look forward to getting the comments back, but we will certainly want to make sure we are striking the right balance in whatever the final rule is.

Mr. FLOOD. Striking the right balance, I think, is important here, and with that, I thank the gentleman from New York. I yield back to him.

Mr. GARBARINO. I also yield back to the chairman. Thank you all.

Mr. DOWNING. The gentleman yields. I would like to thank all the witnesses for your testimony today.

Without objection, all members will have 5 legislative days to submit additional written questions for the witnesses to the chair. The questions will be forwarded to the witnesses for their response. Witnesses, please respond no later than January 7, 2026.

[The information referred to can be found in the appendix.]

Mr. DOWNING. We have another hearing in this room at 2 p.m., so we ask everyone to exit promptly after adjournment, so we can prepare the room.

With that, this hearing is adjourned.

[Whereupon, at 1:36 p.m., the committee was adjourned.]

APPENDIX

MATERIALS SUBMITTED FOR THE RECORD

BUSINESS INSIDER

A fundraising memo for Palmer Luckey's new crypto bank says the quiet part out loud

By Jack Newsham and Julia Hornstein

PATRICK T. FALLON/Getty, Getty images; Tyler Le/BI

Aug 8, 2025, 5:08 AM ET

- Venture firms like Founders Fund and 8VC have backed Erebor, a tech-focused bank founded by Palmer Luckey.
- Erebor said in a fundraising memo it expects a charter in around six months. Experts told Business Insider it often takes longer.
- An Erebor co-founder has "unique connectivity" to regulators including Jonathan Gould, the memo said.

Anduril founder Palmer Luckey's new digital bank, Erebor, told prospective investors in a fundraising memo that it expects federal banking regulators to approve its plans by late 2025 — a speedy timeline that it says is possible because of Luckey's "political network" and the bank's close ties to regulators.

The memo said the bank anticipated receiving a charter from the Office of the Comptroller of the Currency "less than 6 months" after it submitted its application, which happened in June.

The startup is in part banking on Luckey's political ties to clinch the approval required to become a regulated bank in the US.

"Palmer's political network will get this done," the memo said. Luckey contributed over $1 million to politicians and political committees last year, most of them linked to Republicans, federal records show.

The memo also touted an Erebor cofounder's "unique connectivity to banking regulators" including Jonathan Gould, who was sworn in as Comptroller of the Currency in July.

Gould, who was a senior official in the OCC in President Donald Trump's first administration, served for less than a year as the chief legal officer of the bitcoin mining company Bitfury. More recently, he spent two years as a partner at the law firm Jones Day.

Adam Cohen, a top Skadden lawyer who worked with Erebor on its OCC application, recently left the firm and was appointed Gould's chief counsel at the OCC. In a LinkedIn post announcing his job change, Cohen thanked Gould for "the opportunity to support a safe and sound banking system that embraces innovation and promotes fair access to financial services."

When reached for comment, the OCC referred to its general timelines and didn't respond to specific questions about Erebor and any ties to Gould. The OCC says that it generally aims to make a preliminary, conditional decision on charter applications within 120 days.

"The OCC carefully considers every bank charter application submitted based on the facts of the application and consistent with its statutory and regulatory requirements," agency representative Stephanie Collins said in an email. Gould couldn't immediately be reached for comment on Thursday.

Luckey, other Erebor executives, and a lawyer who has represented the bank didn't respond to requests for comment.

A spokesperson for Peter Thiel's Founders Fund, which Business Insider previously reported has invested in Erebor, said that the fund "invested a relatively small amount ($1m) in Erebor and is not involved in its operations."

Todd Baker, a senior fellow at Columbia University and a consultant for fintech companies, said that nine months would be a more realistic timeline, even under a president who has been embraced by some tech investors and cryptocurrency advocates.

Michele Alt, a consultant with the Klaros Group, said standing up a bank after getting preliminary approval usually takes longer than three months. Banking regulators typically won't let a full-service bank open without deposit insurance, either, she said.

Erebor submitted an application to the Federal Deposit Insurance Corp. on July 28. In its OCC application, it said it would proceed with that step once it received preliminary approval. The startup's fundraising memo budgeted less than four months for preliminary approval and about three months for final approval. As of August 7, no approval had surfaced in the OCC's public database.

In 2024, the median time to decide on a deposit insurance application was 295 days, or almost 10 months.

Banking law experts told Business Insider that it isn't unusual for the full completion of both processes to take a year or longer.

Baker said he believes Erebor will be approved by the OCC and the FDIC because of the "stricter control" the Trump White House has shown over agencies, even those with a reputation for independence.

"Assuming they had a reasonably conservative business plan, you might say nine months would be typical," Baker said. "To the extent it has issues — and this, in the past, would be considered to have real issues — if this would have happened three or four years ago, one would have expected a year, a year and a half, or not approved at all."

Regulators will often "have lots of follow-up questions" once an application is submitted, said Paige Pidano Paridon, a former staffer at the Federal Reserve who is now co-head of regulatory affairs at the Bank Policy Institute.

The number of commercial banks in the US has been dwindling for decades, partly because of low interest rates as well as risk-averse regulators. Fintech-industry applicants have had a particularly tough time. While the OCC has granted approval to one fintech bank in under two months since 2017, and others within its 120-day timeframe, other applications were withdrawn after years of delay.

Varo Bank, an online bank that targets low-to-middle-income consumers, spent a reported $100 million and took three years before winning full approval from the OCC and the Federal Deposit Insurance Corp.

SoFi applied for a national bank charter in July 2020, pivoted in 2021 to acquire a bank, and received conditional approval from the OCC in January 2022.

Have a tip? Reach Julia Hornstein at jhornstein@insider.com or securely at juliah.22 on Signal using a nonwork phone and wifi connection. Follow her @julia_hornstein on X.

Joint Trades Statement for the Record

Before the

House Committee on Financial Services

December 2, 2025

The below business trades welcome the opportunity to submit the following statement for the record as part of the House Committee on Financial Services hearing on "Oversight of Prudential Regulators."

Collectively, the undersigned business trades represent a wide range of stakeholders across the economy, including banks, leading companies, housing groups, small businesses, manufacturers, energy producers, and farmers that all create jobs and fuel America's economic growth and competitiveness at home and abroad. We greatly appreciate the work being undertaken by bank regulators to modernize capital rules to unleash economic growth and support various industries and sectors across the country. Specifically, common sense adjustments to Basel III Endgame, the GSIB Surcharge, stress testing, and leverage requirements will improve access to credit and reduce the costs of goods and services for American businesses and consumers, ensuring the U.S. economy can continue to thrive and grow.

Bank Capital Rules Significantly Impact the American Economy

Large bank capital rules have a significant impact across the U.S. economy. Capital is the most expensive form of finance and unnecessarily high and increasing capital requirements increase the cost of lending and other financial services. Whether it is a small business seeking a loan, a family looking to save for the future, farmer, or energy producer looking to hedge the price of their commodities, inappropriately calibrated and designed capital requirements reduce Americans' productive capacity as their ability to borrow, invest, and power the economy are stymied.

The lost economic output is concerning. Importantly, a review of 13 economic studies found that increased capital requirements can cost the economy $100 billion to $150 billion per year and result in $2.3 trillion in lost economic productivity over 30 years. Now is the time to modernize capital requirements to further stimulate economic growth and prosperity for American consumers and businesses.

Impact on Homebuyers and Commercial Real Estate

Commercial banks constitute our nation's largest source of commercial and multifamily real estate financing. In addition, they are significant holders of single-family mortgage assets and critical liquidity providers to the secondary mortgage market. Higher bank capital requirements can harm single-family, multi-family, and commercial real estate finance by hindering lending, reducing jobs, and negatively affecting local economies, particularly hurting first-time and low-income homebuyers. Capital requirements are an added cost borne by homeowners and tenants in an already challenging housing market. These are important considerations for regulators to weigh as they conduct economic analysis to determine the appropriate levels of capital.

Impact on Small Businesses and Retail Lending

Additionally, inappropriate bank capital rules increase the cost and decrease the availability of loans for small businesses, especially privately owned companies, discouraging growth and market entry. Small businesses are the backbone of our economy, creating two-thirds of all new jobs per year. Modernized capital requirements will not only help small businesses, but their customers, employees, and communities across the country.

Similarly, recent bank capital proposals included a number of regulatory changes that would make it more expensive for banks to lend, and extend credit, to retail consumers. The impacts of these proposals would have been disproportionately borne by low-and moderate-income consumers.

Impact on Manufacturers

Inappropriately calibrated bank capital requirements can also significantly impact manufacturers, particularly smaller firms, by their impact on the cost of loans, derivatives, netting efficiency, and other banking services. Manufacturers depend on bank funding to expand their operations and hire more employees, and higher costs for loans lead to higher operating costs for manufacturers and ultimately the American consumer. Additionally, higher U.S. capital rules put U.S. manufacturers at a competitive disadvantage globally compared to international rivals whose banks face less stringent capital requirements. Therefore, parity with international jurisdictions is imperative to boost U.S. economic growth.

Impact on Farmers, Energy Producers, and Consumers

Moreover, higher capital rules undermine the American agricultural and energy sectors. For example, agriculture and energy prices are subject to significant price volatility that creates risk for farmers' revenue. Banks work with farmers, ranchers, and energy producers to provide certainty by offering futures and derivative products that reduce fluctuations in the prices farmers receive for their crops and commodities. Unnecessarily high capital requirements raise the cost of these products and disproportionately impact smaller farms and agricultural businesses, making it more difficult to manage risk and potentially leading to higher consumer prices for food, energy, and agricultural products. Higher food costs are ultimately borne by Americans across the country.

Impact on American Goods and Services

Finally, increased capital requirements harm market liquidity, discourage prudent risk management, and negatively impact the everyday cost of goods and services for Americans across the country. Implementing heightened or duplicative standards in the U.S. only harms the incredible strength of our U.S. capital markets, hurts our ability to compete abroad, and increases costs for Americans. Such impacts should be seriously considered as regulators examine the totality of capital requirements.

Conclusion

The U.S. banking system is well-capitalized, strong, and resilient. U.S. banks adhere to stringent regulatory, supervision, and oversight requirements and have significantly increased their capital positions over the last 15 years. They have proven their strength and resilience through several recent crises and stress tests, namely the COVID-19 pandemic and the 2023 regional bank turmoil.

It has been more than 15 years since the implementation of heightened bank regulation, and it is important to take a comprehensive look to ensure capital rules are working in today's economy as intended without constraining U.S. economic growth and competitiveness around the globe for the future.

Now is the time to modernize our capital framework to unleash economic growth for American businesses and consumers across the country.

Financial Services Forum

American Bankers Association

American Cotton Shippers Association

American Farm Bureau Federation

Bank Policy Institute

Business Roundtable

Commodity Markets Council

Consumer Bankers Association

Futures Industry Association

International Swaps and Derivatives Association

Mortgage Bankers Association

National Association of Manufacturers

National Association of REALTORS®

The Real Estate Roundtable

Securities Industry and Financial Markets Association

U.S. Chamber of Commerce

Congress of the United States
House of Representatives

March 28, 2025

The Honorable Travis Hill
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Acting Chairman Hill:

We write to express grave concern regarding recent reports indicating an erosion of the Federal Deposit Insurance Corporation's (FDIC) independence under your leadership. Specifically, we are deeply alarmed by the growing perception that the agency has acquiesced to undue political pressure from President Trump's Department of Government Efficiency (DOGE)[1] and by reports suggesting that the FDIC may be merged with other federal banking regulators, undermining its critical role in ensuring financial stability and consumer protection.[2]

Congress created the FDIC through the Banking Act of 1933 to promote confidence in the U.S. banking system. Since its inception, it has played an essential role in safeguarding depositors, ensuring prudent bank supervision, and maintaining the safety and soundness of financial institutions. As Acting Chairman and sole member currently serving on the board of directors with prior FDIC experience, you understand the importance of agency independence better than most. Your first statement reiterated a commitment to improving the supervisory process, a reevaluation of supervisory appeals, and for re-establishing a strong work culture.[3] Relinquishing FDIC's independence will prevent the agency from operating free of political pressure and from making decisions based solely on sound banking principles.

Reports indicate that the latest actions and policy shifts at the FDIC are closely aligned with the political interests of President Trump, Elon Musk, and their DOGE allies rather than with the agency's core mission.[4] FDIC staff has been significantly reduced in recent weeks, with over 700 workers fired or forced to accept the Administration's deferred resignation buyouts while another 170 probationary employees were terminated without recourse.[5] The FDIC has also rescinded more than 200 job offers to new examiners, the front-line employees who monitor banks for early signs of problems.[6] These cuts amount to one in every 10 employees, many with decades of

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[1] Wall Street Journal, "*Trump Advisers Eye Bank Regulator Consolidation After Targeting CFPB,*" Gina Heeb, Brian Schwartz and Anna Maria Andriotis, Feb. 11, 2025, https://www.wsj.com/finance/regulation/trump-advisers-eye-bank-regulator-consolidation-after-targeting-cfpb-85055a2e

[2] Semafor, "Treasury play for regulatory control puts it on collision course with Fed," Eleanor Mueller, Rachel Witkowski, Mar 24, 2025 www.semafor.com/article/treasurys-play-for-control-over-regulators-puts-it-on-collision-course-with-fed

[3] Press Release, Federal Deposit Insurance Corporation, Statement from Acting Chairman Travis Hill Jan 21, 2025, https://www.fdic.gov/news/press-releases/2025/statement-acting-chairman-travis-hill

[4] NPR, "*The FDIC's goal is to prevent another banking crisis. It's now also a Trump target,*" Maria Aspan, Feb. 27, 2025, https://www.npr.org/2025/02/27/nx-s1-5307239/fdic-jobs-bank-regulator-trump-doge-elon-musk

[5] American Banker, "FDIC sheds 10% of workforce; more cuts likely," Ebrima Santos Sanneh, Feb 28, 2025, https://www.americanbanker.com/news/fdic-has-cut-10-of-staff-under-trumps-downsizing-effort

[6] The Washington Post, "*Banking regulator rescinds more than 200 job offers for examiners it needs,*" Jan 27, 2025, https://www.washingtonpost.com/business/2025/01/27/fdic-bank-examiners-job-offers-rescinded/

experience and knowledge—with likely more to come. A loss of experienced examiners, managers, and executives will undoubtedly result in less oversight and in regulators turning a blind eye to risks that conflict with political priorities, whims, and personal interests.[7]

Equally troubling are reports that the FDIC could be merged with other federal regulators, such as the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), and the Federal Reserve's supervisory division.[8] Such a move would not only be unprecedented but profoundly damaging to the FDIC's ability to supervise more than 4,000 community banks. As part of the Treasury Department, the head of the OCC reports to the Treasury Secretary, a presidential appointee, who would very likely be pressured to politicize bank regulation and supervision decisions. The American people rely on the FDIC to function as an impartial guardian of financial stability, not as an instrument of political influence. Moreover, any attempt to merge the FDIC with another regulator would require congressional approval.

Even the banks subject to FDIC oversight and supervision oppose efforts to consolidate. A recent poll of hundreds of CEOs and executives from financial institutions across the country found that around half oppose consolidation.[9] They also nearly unanimously backed keeping regulatory agencies independent to support and facilitate their vital role in overseeing and auditing financial firms.[10] Consolidating these agencies under a single regulatory framework risks creating a monolithic entity that is more susceptible to political interference, less accountable to the public, and less effective in responding to emerging risks in the banking sector.

Protecting FDIC independence ensures banks remain financially strong, treat customers fairly, and continue to provide lending to families and small businesses that support our local economies.[11] You have a responsibility to uphold the principles and integrity that have defined the FDIC for nearly a century. We urge you to publicly reaffirm the agency's independence and take all immediate steps to protect it from any further form of political encroachment or consolidation. We look forward to your response.

Sincerely,

David Scott Member of Congress	Emanuel Cleaver, II Member of Congress	Nikema Williams Member of Congress

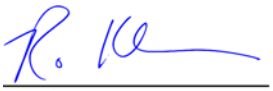
[7] Post-mortem Federal Reserve report from the 2023 bank failures found that a lack of staff (both in number and those with required skills) was one of the key factors that led to the failures. (See pages 36-38 of Report)

[8] Bloomberg Law, "*Trump Readies to Move Bank Regulators After Workforce Purge*" Evan Weinberger, Feb. 19, https://news.bloomberglaw.com/banking-law/trump-gets-ready-to-move-bank-regulators-after-workforce-purge

[9] American Banker, "*Bankers want agency independence, split on consolidation,*" Ebrima Santos Sanneh, Feb 11, https://www.americanbanker.com/news/bankers-want-agency-independence-but-split-on-consolidation

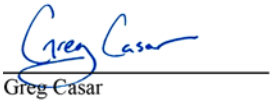
[10] *Ibid*

[11] A 2024 study by Brown University, World Bank & Bank of England economists using data from 98 countries spanning two decades (1999-2019) showed that increasing the independence of regulators and supervisors benefits financial stability.



Ro Khanna
Member of Congress

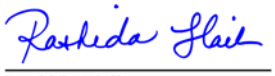
Delia C. Ramirez
Member of Congress



Greg Casar
Member of Congress

Alexandria Ocasio-Cortez
Member of Congress

Stephen F. Lynch
Member of Congress

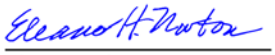


Rashida Tlaib
Member of Congress

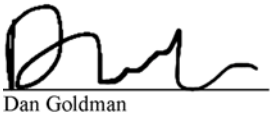
Cleo Fields
Member of Congress

André Carson
Member of Congress

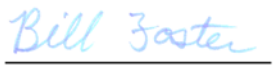
Sean Casten
Member of Congress



Eleanor Holmes Norton
Member of Congress



Dan Goldman
Member of Congress



Bill Foster
Member of Congress

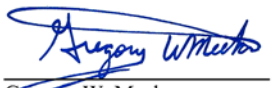
Becca Balint
Member of Congress

Mike Quigley
Member of Congress

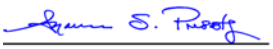
Jan Schakowsky
Member of Congress

Joyce Beatty
Member of Congress

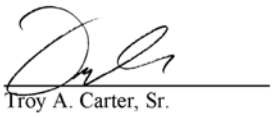
Brittany Pettersen
Member of Congress



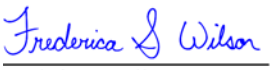
Gregory W. Meeks
Member of Congress



Ayanna Pressley
Member of Congress



Troy A. Carter, Sr.
Member of Congress



Frederica S. Wilson
Member of Congress

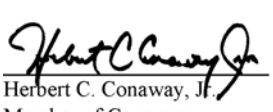
Shontel M. Brown
Member of Congress

Al Green
Member of Congress

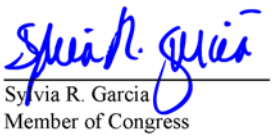
George Latimer
Member of Congress

Brendan F. Boyle
Member of Congress

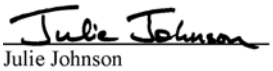
Robin L. Kelly
Member of Congress



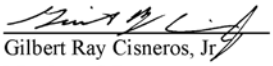
Herbert C. Conaway, Jr.
Member of Congress



Sylvia R. Garcia
Member of Congress



Julie Johnson
Member of Congress

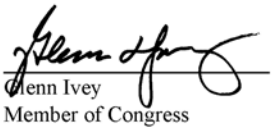


Gilbert Ray Cisneros, Jr.
Member of Congress

Deborah K. Ross
Member of Congress

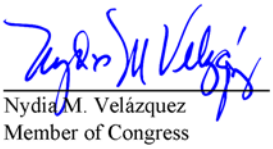
Dwight Evans
Member of Congress

Jr. Tokuda
Member of Congress



Glenn Ivey
Member of Congress

Pramila Jayapal
Member of Congress

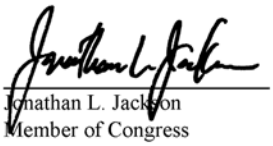


Nydia M. Velázquez
Member of Congress

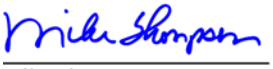
Terri A. Sewell
Member of Congress

Danny K. Davis
Member of Congress

Juan Vargas
Member of Congress



Jonathan L. Jackson
Member of Congress



Mike Thompson
Member of Congress

Bennie G. Thompson
Member of Congress

Jerrold Nadler
Member of Congress

James P. McGovern
Member of Congress

Lucy McBath
Member of Congress

Henry C. "Hank" Johnson, Jr.
Member of Congress

Office of the
Comptroller of the Currency

January 20, 2026

The Honorable French Hill
Chairman
Committee on Financial Services
United States House of Representatives

Dear Chairman Hill:

Please find enclosed my responses to the questions for the record submitted following the December 2, 2025, Financial Services Committee hearing entitled, "Oversight of Prudential Regulators."

I hope the information provided is helpful. If you have questions or need additional information, please contact Andrew Gleaton, Senior Advisor for Congressional Relations, at 202-649-6737.

Sincerely,

Jonathan V. Gould
Comptroller of the Currency
Office of the Comptroller of the Currency

Answers to Questions for the Record Following the Hearing entitled "Oversight of Prudential Regulators" conducted by the House Committee on Financial Services

On December 2, 2025, the Committee on Financial Services convened a hearing at which Comptroller of the Currency Jonathan Gould testified on "Oversight of Prudential Regulators." After the hearing, Members of the Committee submitted questions for the record. This document provides the Office of the Comptroller of the Currency's (OCC's) responses.

From Representative Emmer:

1. Given the economic growth since the 2019 Tailoring Rule, do you believe it's time to revisit and update the rule to better reflect today's banking landscape? Further, can you share how your respective agencies evaluate whether current asset thresholds for regulatory requirements are appropriately calibrated to the size and complexity of institutions in today's economy?

   Response: The OCC is committed to tailoring supervisory expectations and regulatory requirements, particularly to relieve unnecessary burden on community banks and promote economic growth. When considering whether asset thresholds are appropriate for a regulation, the OCC first evaluates whether the rule is necessary. If so, the OCC then evaluates which threshold is appropriate based on the size and complexity of covered institutions.

   While the 2019 tailoring rule referenced in your question specifically refers to the Federal Reserve Board's tailoring framework regarding enhanced prudential standards, the OCC has taken several recent actions applicable to its supervised institutions. For example, the OCC recently announced the removal of policy-based examination requirements for community banks to reduce supervisory burden and enable examiners to tailor examination scope and frequency consistent with risk-based supervision. The OCC also clarified that community banks have the flexibility to tailor their model risk management practices. Additionally, the OCC tailored the application of BSA/AML examination procedures for community banks and, based on an assessment that the agency can obtain the necessary information in a less burdensome manner, discontinued the collection of data from community banks through the Money Laundering Risk System. Moreover, the OCC issued proposed rules that would reduce burden on community banks by providing them with access to expedited or reduced licensing procedures, lowering the community bank leverage ratio requirement in the OCC's regulatory capital rule, and rescinding the OCC's data collection requirements under the Fair Housing Home Loan Data System regulation. Most recently, the OCC proposed increasing the average total consolidated assets threshold at which heightened standard guidelines apply to covered banks from $50 billion to $700 billion. This proposal would reduce regulatory burden while refocusing the guidelines on institutions whose size, complexity, and risk profile pose the greatest risk to the banking system.

The OCC will also consider rescinding existing rules and bulletins that are no longer necessary. For example, in October 2025, the OCC proposed rescinding its guidelines establishing standards for recovery planning for banks with greater than $100 billion in average total consolidated assets. More recently, the OCC published Bulletin 2025-46 in December, which rescinds 55 outdated or replaced OCC issuances published between 1983 and 2025 and 21 transmittal bulletins issued between 2003 and 2023.

2. Do you believe indexing the thresholds to nominal GDP could help avoid arbitrary cliff effects and ensure that supervisory burdens are proportionate to systemic risk, especially for mid-sized and regional banks? If yes, would you support indexing regulatory thresholds to nominal GDP to ensure that the rules remain durable and promote responsible growth?

   Response: Yes. The OCC supports indexing regulatory thresholds, whether to nominal GDP or another metric.

From Representative Rose:

1. I appreciate that the OCC and FDIC have proposed narrowing examiner focus to issues that materially affect a bank's financial condition — a reform community banks have sought for years. Does that material-risk standard apply only to findings issued after these new bulletins take effect, or will it also govern how existing findings and open Matters Requiring Attention (MRAs) are evaluated going forward?

   Response: The OCC recently announced a proposed rule that would (1) define the term "unsafe or unsound practice" for purposes of Section 8 of the Federal Deposit Insurance Act (12 USC 1818) and (2) revise the supervisory framework for the issuance of matters requiring attention (MRAs) and other supervisory communications. On October 30, 2025, the OCC and FDIC published the notice of proposed rulemaking (NPR) in the Federal Register to solicit public comment. Among other considerations, the agencies requested feedback on the timeframe and factors to determine when an MRA should be closed. The agency is currently considering public comment on the proposal.

2. How will OCC headquarters ensure that examiners in the field are actually held to that materiality test? For example, and to ensure consistency, will there be a process by which banks can request that open MRAs issued under old standards by prior administrations be re-evaluated?

   Response: In September 2025, the OCC named a Chief National Bank Examiner (CNBE), restoring a position the agency has not had since 2019. The CNBE is responsible for advising on supervision policy and ensuring consistent application of policy and guidance across bank portfolios and examiner teams. Pursuant to these responsibilities, CNBE will implement robust training for examiners to ensure consistent application of supervisory standards. The restoration of the CNBE will help ensure consistency and accountability across the agency. The CNBE is developing a

process for ensuring that any proposed MRAs meet the new standard on a go-forward basis should it be adopted. The OCC is in the process of reviewing open MRAs issued under prior standards to determine if they meet the proposed new standard and will communicate final determinations of these MRAs to examiner teams and banks as appropriate. The OCC's legal team will also play a role in ensuring consistency with any final rule. Additionally, the OCC is working to ensure its focus on material financial risk is reflected in the OCC's budgeting and resources allocation processes.

3. To ensure consistency, will the OCC apply this same material-risk standard consistently across all community banks — regardless of which internal program supervises them — so that exam outcomes don't vary by office or region?

   Response: In addition to restoring the CNBE, the OCC has reorganized its supervision structure to improve consistency and transparency. This includes creating a new Community Bank portfolio for supervising institutions with less than $30 billion in consolidated assets. This new structure improves management of examiner resources and supports examiner leverage of knowledge, experience and decision-making across similarly-situated institutions. The CNBE's office, together with our legal team, will also play an important role in reviewing MRAs and providing support to Supervision.

4. I often hear from banks that different examination teams interpret the same rules or guidance differently from one exam cycle to the next. While it's understandable that subjectivity will inherently seep into the process at times, too much can cause an unfair whiplash on banks trying to do the right thing, and those that reasonably rely on prior assertions or guidance from examiners do so at great cost in terms of personnel time and resources. Should a bank be able to reasonably rely on the conclusions or expectations communicated to it in prior examinations, so that it is not penalized when OCC staff later reinterpret those same issues differently? What recourse do banks have — or should they have, now that you're in charge — when prior guidance is pulled out from under them?

   Response: As discussed, the restoration of the CNBE is intended to improve consistency and accountability to examiner teams across the agency. The OCC recognizes the need for a fair appeals process and is reviewing the current process.

5. If a bank cannot rely on prior supervisory direction, what process does the OCC have in place to ensure consistency between exam teams — and will you commit to providing written clarification when agency interpretations change, so that banks have clear notice of the new standard?

   Response: The OCC transmits information, including changes of interpretation, to supervised institutions via bulletins. Bulletins can be accessed on the OCC's website at https://www.occ.gov/news-events/newsroom/?nr=Bulletin. The OCC conveys internal policy and procedure documents to the public through Bulletins when appropriate.

Additionally, the Comptroller's Handbook and Comptroller's Licensing Manual are publicly available on the OCC's website. These documents outline the OCC's policies and procedures for bank examinations and supervision, as well as corporate activities such as mergers, branching, and bank chartering. The documents can be found at https://www.occ.gov/publications-and-resources/publications/index-publications.html.

The OCC is also considering ways to increase transparency into the supervisory process, such as narrowing the scope of OCC non-public information.

From Representative Timmons:

Comptroller Gould, in your recent remarks at the FDIC Board meeting you emphasized the importance of maintaining federal preemption for state banks and even urged the FDIC to take steps to reinforce those Congressionally mandated rights.

1. Given that Congress previously blocked efforts to expand preemption during the last administration, what actions are you taking now, through OCC rulemaking, coordination with the FDIC, or other channels, to strengthen or clarify federal preemption in a durable way?

   Response: Federal preemption is a critical tool for reducing unnecessary burden, enabling local and national prosperity, and unleashing economic growth. It is important that regulators take appropriate action to support preemption for both federally chartered and state-chartered banks consistent with Congressional statutory directives, and I am committed to taking such action. For example, the OCC filed an amicus brief in the Ninth Circuit in connection with the litigation in Kivett v. Flagstar Bank. The brief details how the Ninth Circuit's panel decision conflicts with recent Supreme Court case law on preemption and threatens to undermine the fundamental roles of preemption and the applicable standard. In addition, the OCC recently proposed[1] a preemption determination addressing state interest-on-escrow laws. This is the first preemption determination proposed under the framework established in Dodd-Frank (codified at 12 U.S.C. 25b). Concurrently, the OCC also proposed to codify longstanding powers of national banks and federal savings associations to establish or maintain real estate lending escrow accounts and to exercise flexibility in making business judgment as to the terms and conditions of such accounts. Comments on these proposals are due by January 29, 2026.

   In addition, consistent with my statement about the importance of supporting Congressionally granted preemption for state banks, the OCC also recently filed an amicus brief with the Tenth Circuit in connection with the litigation in National Association of Industrial Bankers v. Weiser. The OCC's brief details how the Tenth

[1]See OCC News Release 2025-133, "OCC Issues Two Proposals on Preemption of State Interest-on-Escrow Laws", December 23, 2025.

Circuit's panel decision undermines the benefits of the federal interest rate framework that Congress granted to state banks and places them at a significant competitive disadvantage compared to national banks. The FDIC also filed an amicus brief in this litigation. I continue to look for opportunities to take appropriate action in this area.

From Representative Stutzman:

1. What steps do you feel need to be taken to ensure a successful end to the GSEs' conservatorship that preserves low mortgage rates and does not disrupt the housing market?

   Response: The OCC does not supervise Fannie Mae and Freddie Mac. The Federal Housing Finance Agency and U.S. Treasury are best positioned to answer this question.

2. What steps can be taken, as prudential regulators, to ensure depositories can remain competitive in the CRE-lending space?

   Response: The OCC recognizes CRE is a key lending category for many depository institutions. As prudential regulators, we understand the importance of a dynamic and competitive federal banking system. The OCC has implemented efforts to tailor its regulatory and supervisory frameworks to reduce burden, focus on material financial risks, promote competition, and allow OCC-supervised banks to better serve as engines of economic growth for their communities and the country. OCC actions have included the elimination of mandatory examination activities not required by statute or regulation, representing a return to risk-based supervision; a joint proposal to lower the community bank leverage ratio requirement to eight percent from the current nine percent; and a joint proposal that defines unsafe and unsound practices and reforms the use of matters requiring attention, concentrating on material financial risks that genuinely threaten safety and soundness. These actions help ensure OCC-supervised banks' lending activities, including those within the CRE-lending space, continue to remain competitive.

   The OCC is also working closely with the Federal Reserve and FDIC to develop a comprehensive proposal to enhance the regulatory capital framework. The OCC recognizes the importance of fostering both improved U.S. financial stability and the availability of credit over a range of economic conditions. Therefore, as the OCC works with Federal Reserve and FDIC to develop this proposal, the agencies will assess the impact of the proposal on banking organization capital requirements and its likely effect on economic activity, lending, and resilience.

3. Do you believe that if the current risk weights on statutory multifamily housing were appropriately lowered, depositories could more competitively lend to rental properties, helping with current affordability challenges?

   Response: Lower capital requirements for statutory multifamily mortgages may reduce banks' cost of funding for such loans to creditworthy borrowers thereby increasing

investment in housing. However, in some cases, banks may choose to deploy freed up capital into other business lines or return it to equity holders through stock buybacks or increased dividends. Decisions on how banks deploy their balance sheet capacity depend in part on their strategic plans, comparative costs of and return on capital, growth outlooks, internal risk assessments, and overall market demand.

From Representative Meuser:

Vice Chair Bowman, Comptroller Gould, and Acting Chairman Hill, the dramatic surge in financial fraud and scams originating on social media has created an unprecedented crisis for consumers and the financial industry. Recent Federal Trade Commission data shows that social media was responsible for significant consumer losses, and some large banks have reported that nearly 50% of their fraud complaints are directly linked to these platforms.

Compounding this crisis, a recent Reuters investigation revealed that Meta internally projected its 2024 revenue from scam and banned goods ads to be approximately $16 billion, or 10% of its total revenue. Internal documents also indicated that the company was profiting from this ecosystem, sometimes charging higher advertisement rates as a "penalty" to suspicious advertisers. This suggests a conscious business model that enables the criminal activity on which it relies.

While your agencies are not the direct regulators of social media companies, the financial and operational burden—and the resulting customer frustration and loss—falls almost entirely on consumers and the financial services industry, which is left "playing catch-up" after the fraud has been perpetrated.

What specific steps are your agencies taking, both individually and collectively, to coordinate with non-financial regulators—who have been called on to investigate this issue—to drive a systemic shift that compels these massive platforms to accept financial responsibility and implement proactive fraud prevention measures that truly disrupt criminal activity at the source?

Response: The OCC works with its partners across the executive branch to ensure coordination on issues of concern, such as fraud and scams. For example, the Financial Literacy and Education Commission, of which the OCC is a member, met on September 24, 2025, and discussed trends in payments fraud. On June 16, 2025, the OCC, Federal Reserve, and the FDIC released a request for information (RFI)[2] on potential actions to address payments fraud, with a particular focus on check fraud. The RFI solicited comment on five potential areas for improvement and collaboration that could help to mitigate payments fraud. We are currently in the process of considering next steps based on the comments received.

[2] See OCC Bulletin 2025-12, "Payments Fraud: Request for Information on Potential Actions to Address Payments Fraud," June 16, 2025.

While the regulatory or enforcement authority necessary to address fraud activity occurring through social media mainly rests with other agencies, the OCC stands ready to work with Congress, partner agencies and private entities to combat the growing issue of payments fraud and scams.

From Representative Kim:

1. Vice Chair Bowman, Acting Chairman Hill, and Comptroller Gould, all three of you have been on record criticizing the lack of adequate supervision in the leadup to the bank failures of 2023 and the pressing need to improve by focusing on material financial risks. While this hearing is focused on rightsizing regulation, I believe we are all in agreement that well-calibrated regulation must go hand in hand with effective supervision to preserve the integrity of our banking system. *To that end, now that you are all in seat leading your respective agencies, how are each of you considering the enhancement of supervisory processes so that you can identify and address problems before it is too late? How does the debate regarding revising certain aspects of the tailoring regime influence your approach to this issue?*

   Response: The OCC recently announced a proposed rule that would (1) define the term "unsafe or unsound practice" for purposes of Section 8 of the Federal Deposit Insurance Act (12 USC 1818) and (2) revise the supervisory framework for the issuance of matters requiring attention (MRAs) and other supervisory communications. On October 30, 2025, the OCC and FDIC published the notice of proposed rulemaking (NPR) in the Federal Register to solicit public comment. These actions will refocus the OCC's supervisory activity on material financial risks that threaten the safety and soundness of an institution and/or the banking system. This will decrease the chance that we miss obvious threats to a bank's safety and soundness, as seemingly happened with Silicon Valley Bank.

   In September 2025, the OCC named a Chief National Bank Examiner (CNBE), restoring a position the agency has not had since 2019. The CNBE is responsible for advising on supervision policy and ensuring consistent application of policy and guidance across bank portfolios and examiner teams. Pursuant to these responsibilities, CNBE will implement robust training for examiners. The restoration of the CNBE will help ensure consistency and accountability across the agency. The CNBE is developing a process for ensuring that any proposed MRAs meet the proposed new standard on a go-forward basis should it be adopted. The OCC is in the process of reviewing open MRAs issued under old standards to determine if they meet the proposed new standard and will communicate final determinations of these MRAs to examiner teams and banks as appropriate. The OCC's legal team will also play a role in ensuring consistency with any final rule. Additionally, the OCC is working to ensure its focus on material financial risk is reflected in the OCC's budgeting and resources allocation processes.

2. Comptroller Gould, in the communities I represent, community banks and newer, digital banks are often the ones providing fair and affordable financial services to small businesses and working families. You've talked about tailoring regulatory burdens and capital requirements for community banks, so I'd like to ask: will those changes in supervisory and capital expectations also apply to banks within the same asset thresholds that focus on novel, technology-driven business, particularly when they are not engaged in complex market-based activities? More generally, what are your supervisory expectations for those institutions?

   Response: The OCC is returning to risk-based supervision. This means the OCC tailors supervision to the unique risks posed by a bank's business model and activities. To the extent any particular bank is engaged in "novel" or tech-driven business, we would tailor supervision accordingly.

From Representative Fitzgerald:

1. Mr. Gould, in recent years, merger reviews have often been conducted using competitive-effects analyses that treat insured depository institutions as if they operate in an isolated marketplace, even as fintech lenders, credit unions, Farm Credit institutions, and other nonbank financial firms now provide overlapping loan and deposit products at scale.

   a. As the OCC evaluates future transactions, how do you intend to incorporate these nonbank competitors into the assessment of market concentration?
   b. What analytical framework do you view as most appropriate to ensure that competition reviews reflect the full range of providers serving consumers and businesses?

   Response: The OCC appreciates the need to consider the full ecosystem of competition faced by insured depository institutions. Under the Bank Merger Act (BMA), the OCC's review of business combinations must include consideration of the competitive effects of any such transaction. See 12 USC 1828(c)(5). In addition to prohibiting transactions that would result in a monopoly or conspiracy to monopolize the business of banking the BMA mandates that OCC not approve a combination whose effect in any section of the country may substantially lessen competition or tend to create a monopoly, or which in any other manner would be in restraint of trade, unless these effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Pursuant to the BMA, upon receipt of an application for approval of a merger transaction, the OCC requests a report on the competitive effects from the Department of Justice to assist in its analysis of the competitive effects. Further, Federal banking agencies are responsible for considering the impact on the convenience and needs of the community, the acquirer's Community Reinvestment Act performance, the banks' compliance with BSA/AML enforcement, and the financial condition of the banks.

The DOJ typically utilizes the Herfindahl-Hirschman Index, a common measure of market concentration, to evaluate bank deposit concentration, though further analysis is often required to account for competition from nonbank entities. The OCC has historically advocated for the DOJ to consider nonbank competition in its analysis, and to recognize the limitations of using deposits as a proxy for market power.

2. Mr. Gould, during the Biden administration, banks regularly faced merger applications languishing for months or even years without action, as the OCC relied on opaque, shifting expectations and informal 'quiet' review standards that effectively created a regulatory freeze without issuing any formal rule.

   a. What reforms do you believe are necessary to address the prolonged review timelines that became common under prior leadership, and how do you intend to give institutions certainty about what constitutes a complete application?

Response: The OCC recognizes the challenges and uncertainty caused by protracted delays in decision making. The OCC implemented a goal of making a decision on merger applications in a timely fashion. Additionally, to reflect the OCC's commitment to timely responses, the chartering, licensing and organization functions have been elevated and placed under a new Senior Deputy Comptroller who is responsible for ensuring timely reviews. As stated in the Comptroller's Licensing Manual, the OCC aims to make decisions on business combination within 120 days.

3. Under the prior administration, the OCC's merger posture largely ignored the reality that small and mid-sized banks face escalating compliance burdens and competition from regulated institutions. We often hear that community banks say consolidation is no longer optional but a survival mechanism due to compliance costs and competitive asymmetries.

   a. How do you evaluate the regulatory compliance burden in evaluating a merger application?

Response: The OCC has no de facto policy against mergers and recognizes strategic transactions, like mergers, may be useful for banks. The OCC appreciates the need to tailor regulation to a given institution's risk profile and has taken steps to reduce the burden on community banks which otherwise may have incentivized community bank consolidation. In October 2025, the OCC proposed broadening eligibility for expedited or reduced licensing procedures to community banks. This proposal would reduce the burden for community banks and tailor requirements to the size and risk profile of an institution. These proposed changes are intended to facilitate an increase in corporate activities and transactions by community banks.

At the same time, the OCC announced it is removing fixed examination requirements for community banks and instead tailoring the examination scope and frequency to be consistent with risk-based supervision. This approach reduces supervisory

burden, maintains the value of the federal charter and preserves banks' safety and soundness while ensuring regulatory oversight does not distract banks from serving their communities.

In November 2025, the OCC announced it is issuing supplementary guidance to tailor the application of BSA/AML examination procedures for community banks and, based on an assessment that the agency can obtain the necessary information in a less burdensome manner, discontinued the collection of data from community banks through the Money Laundering Risk System. Further, the Federal banking regulators proposed rulemaking to reduce the community bank leverage ratio from greater than nine percent to greater than eight percent.

In December 2025, the OCC proposed guidance for a strategic plan process for community banks to comply with the Community Reinvestment Act. The strategic plan option enables a bank to tailor its CRA examination based on the needs of its community and its ability to help address those needs based on its capacity and constraints, product offerings, and business strategy.

Together, these changes will strengthen community banks by reducing compliance costs and ensuring existing regulations have clear, measurable goals while maintaining safety and soundness standards for community banks. The OCC will continue to review ways to tailor and reduce the burden on community banks as appropriate while also removing barriers to consolidation should banks seek opportunities for inorganic growth.

From Representative Nunn:

1. Given that fraud and scams increasingly involve criminals utilizing telecom platforms, social media companies, and encrypted messaging apps, often through international crime rings, do you agree that addressing fraud requires a whole-of-society approach? How should the task force created by H.R.4936, the TRAPS Act coordinate across sectors to address the root causes of fraud and scams?

2. One of the strengths of the TRAPS Act is that it focuses on the origination of scams rather than solely on the payment rail used at the end. How might this help policymakers better understand where scams start and develop solutions that address the problem at its source?

3. Multiple regulators have pointed out that scams are being funded and run through transnational criminal organizations. Do you consider this a national security issue? If so, how should that perspective shape a federal response?

Response: This response addresses all three questions. The OCC works with its partners across the executive branch to ensure coordination on issues of concern, such as fraud and scams. For example, the Financial Literacy and Education Commission, of which the OCC is a member, met on September 24, 2025, and discussed trends in payments fraud.

Additionally, the OCC has taken actions to address the growing threat of fraud and scams, including resources to raise public awareness, collaborative forums and analytics tools to support fraud risk supervision, booklets and statements with more information on fraud risk and examples of risk management, and the collection of industry perspectives to inform future actions. For example:

- OCC.gov includes a publicly available web page on Consumer Fraud Awareness and Prevention,[3] which provides the public with resources and information, including warning signs and steps to guard against from fraud and scams.

- HelpWithMyBank.gov provides answers to banking questions related to fraud, scams, and consumer protection, including:
  - How to Report a Scam or a Fraud
  - Types of Frauds & Scams
  - Help Topics on Forgery, Fraud, Identity Theft, and Scams covering phishing, foreclosure & mortgage rescue scams, wire transfer scams, and check fraud, among others

- On June 16, 2025, the OCC, Federal Reserve, and the FDIC released an RFI[4] on potential actions to address payments fraud, with a particular focus on check fraud. The RFI solicited comment on five potential areas for improvement and collaboration that could help to mitigate payments fraud. We are currently in the process of considering next steps based on the comments received.

- The OCC maintains an internal Fraud Working Group (FWG) that provides a forum to facilitate agency-wide discussion, information sharing, and resources related to fraud, evolving industry trends and significant developments, and effective supervision of fraud risk management.

- The OCC maintains examiner resources to assist in the identification of potential fraud risk themes and emerging items. The OCC also provided information on fraud risk management in the "Payments Systems" booklet of the *Comptroller's Handbook* and its bulletin on Fraud Risk Management Principles[5].

- The OCC provides internal training courses and OCC examiners participate in FFIEC and other relevant training related to payments related fraud and scam detection.

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[3] See https://www.occ.gov/topics/consumers-and-communities/consumer-protection/fraud-resources/types-of-consumer-fraud.html

[4] See OCC Bulletin 2025-12, "Payments Fraud: Request for Information on Potential Actions to Address Payments Fraud," June 16, 2025.

[5] See "Payment Systems" booklet (October 2021) and OCC Bulletin 2019-37, "Operational Risk: Fraud Risk Management Principles," July 24, 2019.

- In December 2024, the OCC, along with other agencies, issued a statement[6] providing institutions examples of risk management and other practices that can be effective in identifying, preventing, and responding to elder financial exploitation.

- Additionally, the OCC is exploring ways to encourage large banks to improve the interbank dispute resolution process with regard to community banks' fraud claims.

Recognizing the growing threat of scams and fraud, the OCC stands ready to work with Congress, partner agencies and private entities to combat the growing issue of payments fraud and scams.

From Representative Downing:

1. On October 7th, the FDIC and OCC issued a joint notice of proposed rulemaking to define "unsafe or unsound practice" and to establish a minimum criteria that must be met for the agencies to issue matters requiring attention (MRAs) to supervised banks.

   a. Can you elaborate for the Committee on how this rulemaking intends to refocus your agencies' attention on fundamental, material financial risks?
   b. What other steps are you considering to bolster the supervisory toolkits at your respective agencies?

   Response: The OCC recently announced a proposed rule that would (1) define the term "unsafe or unsound practice" for purposes of Section 8 of the Federal Deposit Insurance Act (12 USC 1818) and (2) revise the supervisory framework for the issuance of matters requiring attention (MRAs) and other supervisory communications. Together, these actions will refocus the OCC's supervisory activity on material financial risks that threaten the safety and soundness of an institution and/or the banking system.

   In September 2025, the OCC named a Chief National Bank Examiner (CNBE), restoring a position the agency has not had since 2019. The CNBE is responsible for advising on supervision policy and ensuring consistent application of policy and guidance across bank portfolios and examiner teams. Pursuant to these responsibilities, CNBE will implement robust training for examiners. The restoration of the CNBE will help ensure consistency and accountability across the agency. The CNBE is developing a process for ensuring that any proposed MRAs meet the proposed new standard on a go-forward basis should it be adopted. The OCC is in the process of reviewing open MRAs issued under old standards to determine if they meet the proposed new standard and will communicate final determinations of these MRAs to examiner teams and banks as appropriate. The OCC's legal team will also play a role in ensuring consistency with any final

[6] See OCC Bulletin 2024-34, "Consumer Protection: Interagency Statement on Elder Financial Exploitation," December 4, 2024.

rule. Additionally, the OCC is working to ensure its focus on material financial risk is reflected in the OCC's budgeting and resources allocation processes.

From Ranking Member Waters:

Regulatory Independence

1. For all witnesses, earlier this year, President Trump issued an executive order requiring your agencies submit all proposed rules and your agency budget to the White House for review.
   a. Have your agencies complied with all aspects of this executive order? If so, provide a detailed description of what steps you have taken to address the executive order, including providing a list of each document your agency has sent to the White House for review.
   b. The Executive Order contemplates interagency review of proposed rules sent to the White House for review. Which Departments or agencies have provided feedback on any of your proposed rules?
   c. Under what Federal law are you required to submit such rules and budget to the White House for review?
   d. Is it a violation of the Administrative Procedure Act or any other Federal law to allow the White House or other Federal Departments or agencies a chance to provide feedback on your proposed or final rules before or after the public comment period of any regulation?
   e. Do your agencies record any feedback you receive from the White House or other Departments or agencies alongside any other comment you receive from the public on rulemakings? If so, please provide a list of such records and where the public may review them, and if not, please explain why you don't make record of that.

   Response: The OCC complies with all applicable laws and regulations, including the Administrative Procedure Act. The OCC works with partners across the executive branch on a regular basis to limit duplicative rulemaking and ensure a comprehensive understanding of the implications of a given proposed rule. For example, the Office of Management and Budget and the Office of Information and Regulatory Affairs often provides the agency insight in connection with the OCC's consideration of the economic impacts of its proposed rulemakings. Our rulemaking process benefits from this review and input, and we will continue to welcome and consider input from government stakeholders and the public.

2. For all witnesses, what feedback has the White House or other Federal Departments or agencies given you with respect to your agency's budget, priorities, staffing, or other aspects of your operations?

   Response: The OCC works with partners across the executive branch on a regular basis to fulfill its mission of ensuring a safe and sound national banking system.

3. For all witnesses, please provide a list of any time officials from the so-called "Department of Government Efficiency" (DOGE) visited your agencies.

   Response: DOGE representatives did not visit the OCC.

4. For all witnesses, did your agency provide access to DOGE to any of your data and information systems? If so, please describe what access was provided, and what protocols were followed.

   Response: DOGE representatives did not visit the OCC.

Consumer Protection

5. Comptroller Gould, it has always been much harder and taken more effort to build something great as opposed to tear it all down. With Dodd-Frank, Congress created the Consumer Financial Protection Bureau so that we had a Federal watchdog whose sole mission was to protect consumers in the financial marketplace. Since 2011, the CFPB has secured more than $21 billion of relief for more than 205 million consumers that have been ripped off, cheated, and defrauded with a variety of unfair, deceptive, and abusive products and practices. But in a few short months, Trump's CFPB has brought the agency to a halt and has tried a variety of ways to shut down the agency in defiance of laws passed by Congress. This has led to an estimated $18 billion in losses for consumers, nearly the same amount of funding the CFPB secured for consumers over the past 15 years. The OCC supervises our largest national banks for safety and soundness while the CFPB is supposed to supervise those same banks for consumer compliance. To your knowledge, who is currently supervising and examining banks like Wells Fargo and Chase Bank for compliance with our consumer financial protection laws and regulations?

   Response: Under Dodd-Frank, the CFPB has exclusive authority to conduct periodic Federal consumer financial law examination for national banks and thrifts with assets over $10 billion, as well as their affiliates (CFPB-supervised banks). Dodd-Frank also provides the OCC with certain backup authorities over CFPB-supervised banks if the OCC recommends in writing that the CFPB initiate an enforcement proceeding against a CFPB-supervised bank and the CFPB does not initiate the actin within 120 days. 12 U.S.C. §§ 5515(c)(2)-(3); 5581(c)(1).

Financial Stability

6. For all witnesses, does climate change pose any financial risks for the banks that you supervise? If so, please explain, and if not, please describe why not.

   Response: The OCC's existing guidance for banks to maintain a sound risk management framework applies to all activities conducted by supervised institutions and includes potential exposures to severe weather events or natural disaster.

Claims that climate change or global warming pose a unique and existential threat to the financial system are unfounded. More recently, certain alarmist claims about the imminent destruction of our economy have been debunked. For example, a widely-cited article published in *Nature* which purportedly showed climate change could cause trillions of dollars in economic loss was recently retracted due to faulty data and underlying assumptions. Absent a statutory mandate, it is inappropriate to use the banking system to achieve unrelated environmental public-policy objectives.

Bank Regulation

7. Vice Chair Bowman, Comptroller Gould, Acting Chair Hill, research from the Fed showed that the temporary supplementary leverage ratio, or SLR, exemptions made during the pandemic had a minimal impact on supporting market making in the Treasury market. While there is broad support to take steps to improve Treasury market resilience, your agencies reduced leverage requirements for our largest banks over the objections of community banks and other experts. In the final rule, did regulators stipulate that megabanks must buy more Treasury securities or otherwise support Treasury market liquidity to be subject to the reduced leverage ratio?

   Response: No. As stated in the rule's preamble, treasury market resilience was not the sole goal of the rule change.

8. Vice Chair Bowman, Comptroller Gould, Acting Chair Hill, have your agencies performed any robust cost-benefit analysis this year on what the socially optimal level of bank capital should be for our largest banks? If so, please share the analysis. If not, will you commit to conducting such analysis prior to finalizing any additional changes to capital or other enhanced prudential standards that apply to the largest banks?

   Response: The OCC is working closely with the Federal Reserve and FDIC to develop a proposal to enhance the regulatory capital framework in manner that will allow U.S. banking organizations to better meet the needs of their communities and the U.S. economy in a manner that is consistent with safety and soundness principles. The OCC recognizes the importance of fostering both improved U.S. financial stability and the availability of credit for households and businesses over a range of economic conditions. Therefore, as the OCC works with Federal Reserve and FDIC to develop this proposal, the agencies will assess the impact of the proposal on banking organization capital requirements and its likely effect on economic activity, lending, and resilience. Additionally, as part of its rulemakings, the OCC performs regulatory impact analyses pursuant to the Regulatory Flexibility Act[7] and consistent with the Unfunded Mandates Reform Act of 1995[8] and complies with the cost-benefit analysis requirements in

[7] *See* 5 U.S.C. § 601 *et seq.*
[8] *See* 2 U.S.C. § 1532.

Executive Order 12866.[9] Such analyses consider estimated costs and benefits of a rulemaking, including implementation costs. A detailed description of the expected impact of the proposal, as well as the OCC's regulatory impact analyses will be part of the preamble to the proposal, as well as the support and related materials publicly available on Regulations.gov.

Further, the OCC greatly values public comments. Before finalizing any new requirements, the OCC will carefully review and consider all comments received on the proposal, including any comments on the costs and benefits of the proposal, consistent with the requirements of the Administrative Procedure Act.[10]

9. Vice Chair Bowman, Comptroller Gould, Acting Chair Hill, what is the average tier one leverage ratio of U.S. G-SIBs today? How does that compare to the average tier one leverage ratio of U.S. G-SIBs in 2008 and 2016?

Response: Below are tier one (T1) Leverage Ratios for the requested time periods for OCC-supervised GSIBs.

Banking Group	2008 Q4	2016 Q4	2025 Q3
Bank of America Corporation (*)	6.67%	9.36%	7.57%
Citibank NA	6.38%	9.49%	8.78%
JPMorgan Chase Bank, NA	6.21%	8.88%	7.85%
Wells Fargo & Company (*)	6.30%	7.79%	8.85%
Morgan Stanley (*)	12.23%	10.54%	9.09%
Bank of New York Mellon Corporation, The (*)	11.66%	12.01%	7.64%
Average	**8.24%**	**9.68%**	**8.30%**
Median	**6.53%**	**9.43%**	**8.32%**

Source: Call Reports via MIS360
(*) Multiple charters aggregated
Bank-level Results (not Holding Company)

10. Vice Chair Bowman, Comptroller Gould, Acting Chair Hill, what flaws in our banking regulatory regime did the 2023 regional bank crisis expose? What changes should Congress and regulators consider to address those flaws?

Response: Bank failures in 2023, particularly the initial failure of Silicon Valley Bank, exposed shortcomings in basic supervision. I have discussed this extensively in prior

[9] *See* 58 Fed. Reg. 51735 (Oct. 4, 1993).
[10] *See* 5 U.S.C. § 553(c).

testimony.[11] Since the passage of Dodd-Frank, banking regulators have pursued an ever-expanding view of bank supervision, distracting examiners from the issues that are material to a bank's financial condition. This has devalued the supervisory process by turning it into a compliance exercise. The OCC is returning to risk-based supervision and a focus on material financial risk.

I am also committed to ensuring expectations for supervision teams and supervised institutions are clear. In September 2025, the OCC named a Chief National Bank Examiner (CNBE), restoring a position it has not had since 2019. The CNBE is responsible for advising on supervisory policy and ensuring consistent application of policy and guidance across bank portfolios and examiner teams. The restoration of the CNBE will help ensure consistency and accountability across the agency. Additionally, the OCC is working to ensure its focus on material financial risk is reflected in examiner teams' budgeting process.

Bank-Fintech Partnerships

11. Vice Chair Bowman, Acting Chair Hill, Comptroller Gould, do the agencies have any timelines or defined milestones for issuing guidance or an updated framework for third-party and fintech partnerships? What priorities do you have for such work?

    Response: The Office of the Comptroller of the Currency is currently reviewing its guidance for third-party and fintech partnerships. In November 2025, the OCC released an RFI on community banks' engagement with core service providers and other essential third-party service providers. The OCC will consider next steps based on the comments received, among other things.

Financial Data

12. For all witnesses, the Financial Data Transparency Act (FDTA), enacted in December 2022 as part of the National Defense Authorization Act, directs financial regulators, working with the Treasury Department, to establish uniform, non-proprietary data standards that enhance transparency, searchability, and interoperability for both agencies and regulated entities. A joint notice of proposed rulemaking was issued in August 2024, and the statute requires agencies to finalize that joint rule and subsequently adopt agency-specific rules applying those standards to their data collections. Are your agencies on track to meet these statutory requirements, and what challenges, if any, could prevent timely implementation?

    Response: The FDTA requires the OCC and various other agencies (i.e., the Department of the Treasury, Board of Governors of the Federal Reserve System, Consumer Financial

[11] *Federal Responses to Recent Bank Failures: U.S. House Financial Services Subcommittee on Financial Institutions and Monetary Policy*, 118th Congress (2023) (Testimony of Jonathan V. Gould). https://www.congress.gov/118/meeting/house/115890/witnesses/HHRG-118-BA20-Wstate-GouldJ-20230510.pdf

Protection Bureau, Commodity Futures Trading Commission, Securities and Exchange Commission, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, and National Credit Union Administration) jointly to issue rules establishing data standards for (1) certain collections of information reported to each agency by financial entities under the jurisdiction of the agency and (2) the data collected from the agencies on behalf of the Financial Stability Oversight Council (joint proposed rule) within two years of the date the FDTA was signed into law. The statute also requires the OCC and certain other agencies to propose and finalize individual rules that, among other things, adopt data standards for specified collections of information. Individual agency rules must be effective two years after promulgation of the joint final rule.

The agencies published the joint notice of proposed rulemaking on August 22, 2024, and collectively received over 135 comments, which the OCC and other agencies have carefully reviewed and considered. The OCC is working closely with the other agencies to finalize the joint standards and draft the joint final rule. We also expect to finalize the OCC's agency-specific rule consistent with statutory requirements.

13. For all witnesses, the proposed FDTA standards aim to improve data quality, comparability, and searchability while reducing duplicative reporting requirements. Do the agencies expect to meet the Act's statutory requirements, including issuing a final joint rule and subsequent agency-specific rules? Given that Treasury's GENIUS Act advance notice of proposed rulemaking does not prescribe identifier standards for stablecoin issuers and other market participants, how will agencies ensure that GENIUS reporting requirements are harmonized with FDTA's common identifiers and data standards?

Response: As noted above, the OCC is working closely with the other agencies to finalize the FDTA joint rule and expects to meet the FDTA's requirements for issuing a final joint rule and subsequent agency-specific rules. The OCC will ensure GENIUS reporting requirements align with all relevant standards.

Reputational Risk

14. The Global Risk Advisory Council found that "Trump's ability to use his platform and policy levers to target individual executives and companies has transformed political rhetoric into a distinct reputational risk category." Comptroller Gould, could President Trump's use of political rhetoric targeting individual executives and banks then have impacts on the safety and soundness of the banks that your agencies supervise?

Response: The Global Risk Advisory Council is chaired by a former senior Biden Administration official and advised by several aides of the Obama and Biden Administrations. As this Committee has documented extensively, the Obama and Biden Administrations weaponized the financial system against politically disfavored industries and individuals during Operation Choke Point 1.0 and 2.0.

President Trump issued Executive Order 14331, which clarifies "it is the policy of the United States that no American should be denied access to financial services because of their constitutionally or statutorily protected beliefs, affiliations, or political views, and to ensure that politicized or unlawful debanking is not used as a tool to inhibit such beliefs." The order directs the Federal banking agencies to remove reputational risk or equivalent concepts from its guidance documents, manuals and other materials to prevent unlawful or politicized debanking. The OCC will continue to implement Executive Order 14331 to ensure individuals and institutions have fair access to the financial system regardless of beliefs, affiliations or political views. The OCC is committed to eliminating the weaponization of the banking system for political purposes.

CDFIs and MDIs

15. Vice Chair Bowman, Acting Chair Hill, Comptroller Gould, what steps have your agencies taken this year to specifically provide support to CDFI and MDI banks you regulate?

Response: The OCC organizes initiatives to bring together stakeholders from the banking industry, community organizations, businesses, and technology sectors to address barriers to economic inclusion. Stakeholders have engaged in a variety of efforts to address these barriers, including facilitating collaboration between non-minority banks and MDIs. Many of the collaborations have resulted in operational technical assistance and investments from non-minority banks to MDIs. Through these initiatives, the OCC and participating organizations have provided webinars, executive secondments, and one-on-one bank-specific technical assistance on a variety of topics of interest to all banks, including MDIs, such as cybersecurity, third-party partnerships, and commercial real estate risk management.

16. Vice Chair Bowman, Acting Chair Hill, Comptroller Gould, do you have any recommendations for Congress to further support the work that CDFI and MDI banks you regulate play in the communities they serve?

Response: OCC leadership has conducted extensive meetings with community banks of all types across the country to hear their stories, understand their challenges, and gain insight into where regulations may be preventing them from serving their customers and communities. These discussions inform perspective and shape priorities for the agency. The OCC is working to build a regulatory framework that supports and strengthens community banks and ensures they can fulfill their critical role in supporting the national economy. The OCC supports Congress's efforts to reduce regulatory burdens, lower funding costs, expand lending, and foster competition.

Diversity, Equity, and Inclusion

17. For all witnesses –

a. What steps have you taken to promote diversity, equity, and inclusion in the work of your agency?
b. Who is currently running your Office of Minority and Women Inclusion (OMWI)?
c. How many full-time employees are working in your OMWI?
d. What work has your OMWI been performing in 2025?
e. Does your OMWI play any role in promoting and preserving MDIs?

Response: The OCC is committed to being a high-performing, mission- driven agency that attracts, develops, and retains the most qualified workforce to carry out its statutory obligations consistent with Federal Merit System Principles. The OCC's Office of Minority and Women Inclusion (OMWI) has an Executive Director, Shinu Shilesh. The OMWI remains responsible for matters relating to diversity in management, employment, and business activities in compliance with section 342 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (Dodd–Frank).

Fraud and Scams

18. To all witnesses, fraud and scams have become a major crime problem in the U.S. with individual and business victims from all walks of life, regardless of location, ethnicity, gender, age, size, or income. Indeed, payment fraud and scams are on the rise, and it is happening through a variety of channels, including check fraud or the use of AI to trick consumers to share sensitive account information or large amounts of money through payment apps.

    a. Internal Activity: What are some of the actions that your agencies are undertaking individually or collectively to improve capacity internally to address this growing fraud and scams threat?

    Response: The OCC has taken actions to address the growing threat of fraud and scams, including resources to raise public awareness, collaborative forums and analytics tools to support fraud risk supervision, booklets and statements with more information on fraud risk and examples of risk management, and the collection of industry perspectives to inform future actions. For example:

    - OCC.gov includes a publicly available web page on Consumer Fraud Awareness and Prevention,[12] which provides the public with resources and information, including warning signs and steps to guard against from fraud and scams.

    - HelpWithMyBank.gov provides answers to banking questions related to fraud, scams, and consumer protection, including:
        - How to Report a Scam or a Fraud
        - Types of Frauds & Scams

[12] See https://www.occ.gov/topics/consumers-and-communities/consumer-protection/fraud-resources/types-of-consumer-fraud.html

- Help Topics on Forgery, Fraud, Identity Theft, and Scams covering phishing, foreclosure & mortgage rescue scams, wire transfer scams, and check fraud, among others.

- On June 16, 2025, the OCC, Federal Reserve, and the FDIC released an RFI[13] on potential actions to address payments fraud, with a particular focus on check fraud. The RFI solicited comment on five potential areas for improvement and collaboration that could help to mitigate payments fraud. We are currently in the process of considering next steps based on the comments received.

- The OCC maintains an internal Fraud Working Group (FWG) that provides a forum to facilitate agency-wide discussion, information sharing, and resources related to fraud, evolving industry trends and significant developments, and effective supervision of fraud risk management.

- The OCC maintains examiner resources to assist in the identification of potential fraud risk themes and emerging items. The OCC has also provided information on fraud risk management in the "Payments Systems" booklet of the *Comptroller's Handbook* and its bulletin on Fraud Risk Management Principles.[14]

- The OCC provides internal training courses and OCC examiners also participate in FFIEC and other relevant training related to payments related fraud and scam detection.

- In December 2024, the OCC, along with other agencies, issued a statement[15] providing institutions examples of risk management and other practices that can be effective in identifying, preventing, and responding to elder financial exploitation.

- Additionally, the OCC is exploring ways to encourage large banks to improve the interbank dispute resolution process with regard to community banks' fraud claims.

b. FI Activity: What are some of the best practices that your agencies are seeing from the financial institutions that you oversee, regarding detecting and deterring fraud and scams? What are best practices from the same institutions in protecting their customers before, during, and after becoming a target of such bad acts?

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[13] See OCC Bulletin 2025-12, "Payments Fraud: Request for Information on Potential Actions to Address Payments Fraud," June 16, 2025.
[14] See "Payment Systems" booklet (October 2021) and OCC Bulletin 2019-37, "Operational Risk: Fraud Risk Management Principles," July 24, 2019.
[15] See OCC Bulletin 2024-34, "Consumer Protection: Interagency Statement on Elder Financial Exploitation," December 4, 2024.

Response: Many banks have programs in place to educate customers on fraud schemes, providing resources and raising awareness and defenses against fraud; advance fraud detection; and, to support preventative and detective controls. When commensurate with a bank's size, complexity, risk profile, and specific activities, these practices include:

- Raising customer awareness and defenses against fraud, including
  - Email alerts of potential or prevalent person-to-person (P2P) payment fraud schemes.
  - Providing information via disclosures or brochures with potential red flags, DOs and DON'Ts when using electronic devices and payment apps, and tips for utilizing popular P2P payment solutions.
  - Making resources and information available via the bank's website about ways to avoid fraud schemes and who to contact if the consumer believes they have been a victim of a fraud scheme.
  - Including a banner across the bank's website or on the customer account log-in page to focus customer attention to an elevated threat environment or to serve as a reminder to customers about the legitimate methods a bank will utilize to verify their account (i.e. we will not solicit account log-in information from you via text message or phone call).
  - Capabilities for customers to set up transaction alerts for their accounts, including transaction limits or approvals.
  - Encouraging the protection of elder family members with resources targeting benefit to customers with potentially vulnerable parents or those caring for the elderly such as warnings that must be acknowledged when originating P2P payments through the bank's website or application. Banks are also increasing the use of trusted contacts or someone the accountholder authorizes the bank to call in limited situations, such as suspected fraud or financial exploitation.

- Advancing fraud detection and deterrent mechanisms, including:
  - Use of multifactor authentication and layered security controls that reduce the likelihood of unauthorized access to accounts, adding an additional layer of protection against fraudulent activities.
  - Automated solutions for fraud detection, such as vendor systems or internally developed automated detection.
  - Comprehensive processes to ensure that compliance staff are aware of industry trends, emerging risks, and red flags associated with potentially illicit activity (which may involve fraud schemes/scams).
  - Enhanced employee training awareness through private sector and/or public-private consortiums that discuss trends, statistics, and typologies.
  - Fraud-related investigation oversight from the BSA Officer or position/function with similar stature.
  - Tracking and reporting of fraud investigation/case timeliness within MIS Reporting.

- Integrated or dedicated reporting line functions between fraud teams and BSA/AML teams, including reporting to and across the BSA Officer and Chief Risk Officer (or equivalent) functions.

- Adapting and enforcing effective internal controls, including:
  - Segregating duties among staff responsible for initiating and approving payments.
  - Dual-controls for high-value transactions.
  - Conducting surprise audits.
  - Robust processes for identity verification.
  - Leveraging artificial intelligence and machine learning (AI/ML) for real-time transaction monitoring.
  - Strengthening encryption firewalls and intrusion detection mechanisms.

c. LE Activity: Law enforcement agencies that pursue the bad actors committing fraud and scams state that Bank Secrecy Act (BSA) Data (e.g., suspicious activity reports and currency transaction reports) from the financial institutions that you oversee is essential for clawing back funds or for pursuing the bad actors who commit the crimes. For example, IRS-CI shares that it "...used BSA data to identify $21.1 billion in fraud tied to tax and financial crimes, seize $8.2 billion in assets tied to criminal activity, and obtain $1.4 billion in restitution for crime victims." What additional information or changes to the BSA Data information and collection could further improve your LE partners' efforts to combat fraud, scams, and other financial crime?

Response: The U.S. Department of the Treasury ("Treasury") recognizes the substantial burden BSA reporting imposes on industry and that it is critical for institutions to have the ability to direct their compliance resources towards the most significant threats to national security. For those reasons, Treasury, acting through the Financial Crimes Enforcement Network, is exploring ways to further streamline and improve SAR and CTR reporting and forms to relieve burden on financial institutions and prioritize critical information for law enforcement and national security agencies.

19. For all witnesses, as it relates to fraud and scams (and financial crime, in general), how might financial institutions better share data to assist in combatting attempted or successful fraud schemes and scams? For example, are there proposed improvements to the 314(b) process that would be helpful to the financial institutions that you oversee? Are there regulatory or statutory changes that would improve data sharing, data pooling, or other means or collaboration?

Response: Treasury supports amending the statutory safe harbor authorization provided in Section 314(b) of the USA PATRIOT Act to include sharing information about fraud, sanctions evasion, and other financial crimes frequently committed by money laundering networks.

20. For all witnesses, on December 10, 2025, the Wall Street Journal shared that Treasury is circulating among your agencies a draft term sheet that would, "give the Treasury's Financial Crimes Enforcement Network (FinCEN) the ability to veto a finding by another regulator that a bank has infringed on the Bank Secrecy Act. If finalized, it could allow banks in some cases to avoid being penalized by regulators for what the Treasury views as mere technical violations of their anti-money-laundering systems." How would this proposal impact the ability of your agency to conduct its exams or pursue enforcement actions, including for risk and safety and soundness issues?

    Response: As part of the Trump Administration's broader deregulatory agenda, Treasury is engaging in an effort to identify ways to modernize administration of the Bank Secrecy Act (BSA). These efforts will concentrate on how we can make the current regime more effective, risk-based, and focused on the greatest threats to financial institution and national security. This work is ongoing, and we look forward to sharing more specifics as the process is finalized.

21. For all witnesses, the Federal Reserve's FraudClassifier and ScamClassifier models are tools developed to help financial institutions consistently classify and report fraudulent activities. The FraudClassifier model distinguishes between payments initiated by authorized and unauthorized parties, while the ScamClassifier model provides a structured way to categorize specific types of scams based on their root cause, such as a product or service scam versus a relationship-based one. These models use a series of questions and a decision-tree approach to improve fraud detection, mitigation, and educational strategies across the payments industry.

    a. How might this model be helpful in addressing fraud and scams? Could this or another model, if harmonized across regulatory agencies, be helpful in tackling fraud and scams?

    Response: To improve the efficacy of fraud risk management processes, it is valuable for financial institutions to maintain current and accurate fraud and scam data. The OCC stands ready to work with Congress, partner agencies and private entities to combat the growing issue of payments fraud and scams.

From Representative Sherman:

1. **Erebor Bank**: During the hearing, I asked about your speedy approval of a de novo bank charter for Erebor Bank. According to Business Insider (in an article that was submitted to the committee record),3 a memo to prospective Erebor Bank investors touted that co-founder Palmer Luckey's "political network" and "unique connectivity to banking regulators" would help speed up the regulatory approvals process. If Palmer Luckey was lying or misleading potential investors, this is a securities law violation. If Palmer Luckey was truthful, this is a significant issue of corruption. During the hearing, you implied that you were not aware of the allegations made in the article and that you are not responsible for securities law. Now that you have had ample time to review the

allegations, has OCC made any referrals to the SEC to investigate this apparent potential violation of securities law? Is it your contention that OCC has no responsibility to cooperate with other federal regulators to ensure the integrity of our capital markets?

Response: As a matter of longstanding policy, the OCC does not comment on or discuss the status, substance, or internal deliberations related to any specific bank charter application. The OCC reviews all applications in a consistent manner and in accordance with all applicable regulations and laws. Where appropriate, the OCC coordinates with other federal banking agencies and relevant regulators.

2. **Stablecoin Loopholes**: What steps has the OCC taken since passage of the GENIUS Act, or plans to take imminently, to prevent loopholes where crypto companies can provide interest to customers through "rewards" and thus circumvent our traditional regulated banking system and the protections we have put in place there?

   Response: The OCC is drafting regulations to implement the GENIUS Act and looks forward to receiving comments from the public when the rule is proposed.

3. **Private Mortgage Insurance & Basel III Endgame**: As your agencies think about changes to capital requirements for mortgages held on portfolio as part of the forthcoming Basel III Endgame rulemaking re-proposal, I encourage you to create alignment with the FHFA's Enterprise Regulatory Capital Framework (ERCF) – which provides capital relief for certain low down payment loans that have Private Mortgage Insurance (PMI) – to best calibrate loan-level capital requirements on high loan-to-value (LTV) mortgages. Will you consider greater alignment with the ERCF in the Basel III Endgame re-proposal?

   Response: The OCC is working closely with the Federal Reserve and FDIC to develop a proposal to enhance the regulatory capital framework, including reviewing how the capital framework interacts with rulemaking from other agencies. The OCC recognizes the importance of fostering both improved U.S. financial stability and the availability of credit for households and businesses over a range of economic conditions. Therefore, as the OCC works with Federal Reserve and FDIC to develop this proposal, the agencies will assess the impact of the proposal on banking organization capital requirements and its likely effect on economic activity, lending, and resilience.

   Further, the OCC values public comments. Before finalizing any new requirements, the OCC will carefully review and consider comments received on the re-proposal, including any comments on how best to capture risks and calibrate regulatory requirements, consistent with the requirements of the Administrative Procedure Act.[16]

4. **Securitization & Basel III Endgame**: The original Basel III Endgame proposed rule from 2023 included substantial changes to the securitization framework and would have

[16] *See* 5 U.S.C. § 553(c).

doubled the "p-factor," which would increase the capital requirement for securitization exposures (the securitization surcharge) from 50% to 100%. Do your agencies have an assessment of how increasing the p-factor will affect the availability of credit in U.S. financial markets? Do you anticipate that the Fed will recommend increasing the p-factor in the anticipated Basel III reproposal?

Response: The OCC is working closely with the Federal Reserve and FDIC to develop a proposal to enhance the regulatory capital framework, including the requirements applicable to securitizations and re-securitizations, which can take on various structures and involve a number of different types of assets and exposures. The OCC recognizes the importance of fostering both improved U.S. financial stability and the availability of credit for households and businesses over a range of economic conditions. Therefore, as the OCC works with Federal Reserve and FDIC to develop this proposal, the agencies will assess the impact of the proposal on banking organization capital requirements and its likely effect on economic activity, lending, and resilience. Additionally, as part of its rulemakings, the OCC performs regulatory impact analyses pursuant to the Regulatory Flexibility Act[17] and consistent with the Unfunded Mandates Reform Act of 1995[18]. Such analyses consider estimated costs and benefits of a rulemaking, including implementation costs. A detailed description of the expected impact of the proposal, as well as the OCC's regulatory impact analysis will be part of the preamble to the proposal as well as the support and related materials publicly available on Regulations.gov.

Further, the OCC values public comments. Before finalizing any new requirements, the OCC will carefully review and consider comments received on the re-proposal, including any comments on how best to capture risks and calibrate regulatory requirements, consistent with the requirements of the Administrative Procedure Act.

5. **Interactions between Capital Proposals**:

   a. What changes are being contemplated for the Basel III Endgame, stress testing, and the G-SIB surcharge that would recalibrate capital levels toward an appropriate level? When do you plan to propose the Basel III Endgame and G-SIB Surcharge?

   b. One example of regulatory overlap is the Basel III Endgame's increased capital requirements for banks' trading activities, and the Fed's capital charge for market risk through the stress capital buffer (the capital requirement that stems from the results of stress testing). How will these and other areas of potential overlap be addressed in upcoming proposals?

   c. Do you plan to address inequities with other jurisdictions (i.e., higher capital charges in the U.S. and for our European peers) in your proposals on Basel III Endgame and the GSIB Surcharge?

[17] *See* 5 U.S.C. § 601 *et seq.*
[18] *See* 2 U.S.C. § 1532.

Response: The OCC is working closely with the Federal Reserve and FDIC to develop a proposal to enhance the regulatory capital framework, including by reducing regulatory overlap. The OCC recognizes the importance of fostering global financial stability and the availability of credit for households and businesses over a range of economic conditions. Therefore, as the OCC works with Federal Reserve and FDIC to develop this proposal, the agencies will assess the impact of the proposal on banking organization capital requirements and its likely effect on economic activity, lending, and resilience. Additionally, as part of its rulemakings, the OCC performs regulatory impact analyses pursuant to the Regulatory Flexibility Act and consistent with the Unfunded Mandates Reform Act of 1995. Such analyses consider estimated costs and benefits of a rulemaking, including implementation costs. A detailed description of the expected impact of the proposal, as well as the OCC's regulatory impact analysis will be part of the preamble to the proposal as well as the support and related materials publicly available on Regulations.gov.

Further, the OCC values public comments. Before finalizing any new requirements, the OCC will carefully review and consider comments received on the re-proposal, including any comments on how best to capture risks and calibrate regulatory requirements, consistent with the requirements of the Administrative Procedure Act.

6. **Leverage Ratios**: As you know, the recently finalized changes to the enhanced supplementary leverage ratio (eSLR) only applies to the largest banks. While I'm sympathetic to the proposal's goal of freeing up Treasury intermediation capacity at these institutions – and I strongly urged you to consider taking action – I'm concerned that by not extending leverage ratio adjustments uniformly across the banking system, we could be creating an unlevel playing field between banks of different sizes. Will you consider reexamining the tier one leverage ratio, which unlike the eSLR, is applicable to banks of all sizes?

   Response: The Federal banking agencies finalized changes to the Enhanced Supplementary Leverage Ratio to ensure that this enhanced requirement, which only applies to the largest and most interconnected banking organizations in the U.S., serves as a backstop to the agencies' risk-based capital requirements, and will not generally be the most binding constraint for these banking organizations, among other things. The revised calibration will reduce disincentives for engaging in lower-risk activities, such as holding or intermediating Treasury securities, while still maintaining safety and soundness. The OCC frequently reviews the appropriate level for its various capital requirements including its approach to the tier one leverage ratio.

7. **GENIUS Act Implementation**:

   a. How are your agencies monitoring and mitigating potential deposit flight from regulated financial institutions like banks and credit unions due to stablecoin adoption (the GENIUS Act), and will your agencies ensure stablecoins do not incentivize

Americans to pull their money out of community banks or credit unions and out of circulation in our economy?

Response: The GENIUS Act provides legal and regulatory clarity for payment stablecoins. The OCC is working and coordinating, as appropriate, with other relevant agencies to ensure the GENIUS Act is implemented according to the text, as passed by Congress. The OCC will propose regulations implementing the GENIUS Act, and it looks forward to receiving public comment.

b. How are your agencies approaching rulemaking for the GENIUS Act? How will your agencies ensure that tokenized money market funds and stablecoins compete on a level playing field without undermining community banks and credit unions?

Response: The OCC is working to implement the GENIUS Act. Traditional money market funds have existed for over 40 years and represent nearly $8 trillion in financial assets. A diversity of financial products and tools is beneficial for consumers and the stability of the economy. Tokenized money market funds and stablecoins may present new opportunities for consumers and institutions of all sizes. The OCC will propose regulations implementing the GENIUS Act, and it looks forward to receiving public comment.

8. **Debanking Executive Order**: President Donald Trump on August 7, 2025, issued an executive order, "Guaranteeing Fair Banking for All Americans," which directs regulators to remove "reputation risk" considerations, prohibit politicized or religion-based debanking, and reinstate affected clients. The EO instructs the U.S. Small Business Administration (SBA) to notify lenders (e.g., credit unions and banks) within 60 days and require them to reinstate previously impacted clients within 120 days. Many lenders have already begun to receive notices asking them to respond by January 5th, 2026 to the SBA detailing all loans denied for political reasons – with no time limit on how far back in time to analyze. Have your agencies coordinated with SBA in seeking clarification on SBA's requests to lenders? Furthermore, how will your agencies implement the so-called "debanking" executive order? Will your agencies issue similar requests, asking financial institutions to furnish a list of all loans or bank accounts denied for political reasons?

Response: The OCC is conducting a supervisory review of the nine largest banks in accordance with the President's Executive Order "Guaranteeing Fair Banking for All Americans" to determine whether these institutions debanked or discriminated against any customers or potential customers on the basis of their political or religious beliefs or lawful business activities. The OCC's preliminary findings are available at https://occ.gov/news-issuances/news-releases/2025/nr-occ-2025-123a.pdf. While the OCC has released preliminary findings, its work continues, including coordinating with federal partners to better understand the full extent and effect of these actions and their impact on affected industries and the American economy. The OCC is also reviewing thousands of complaints to identify instances of political and religious debanking.

9. **Interagency Fraud Coordination**: As you know, fraud and scams against consumers are growing at an exponential rate. Much of the fraud banks see originates from telecom networks, social media, and digital paid advertisers, and these entities could do more to help prevent scams and fraud. Is there any effort from your agencies to work with the FCC and FTC to increase accountability of these platforms for fraud that originates on their networks? How are financial regulators engaging with those agencies to advance that goal, and are there specific authorities or actions Congress could consider to help drive greater responsibility from those sectors and disrupt criminal activity at the source?

   Response: The OCC works with its partners across the executive branch to ensure coordination on issues of concern, such as fraud and scams. For example, the Financial Literacy and Education Commission, of which the OCC is a member, met on September 24, 2025, and discussed trends in payments fraud. Additionally, in June 2025, the OCC, the FDIC and the Federal Reserve Board issued a joint RFI for stakeholders to share ideas on how the agencies can better collaborate with partner agencies and other stakeholders. The OCC is considering next steps based on the feedback it received. While the regulatory or enforcement authority necessary to address fraud activity arising from telecom networks, social media, and digital paid advertisers mainly rests with other agencies, the OCC stands ready to work with Congress, partner agencies and private entities to combat the growing issue of payments fraud and scams.

From Representative Pressley:

1. Comptroller Gould, is it better for a family to use a bank account that is safe and reliable for their money or a nonbank product that lacks the financial protections?

   Response: The OCC's role is not to direct consumer choice, but to ensure the federal banking system operates in a safe and sound manner. A robust financial system offers competing options for consumers to choose based on individualized need, circumstances, and preferences.

2. Chairman Hill and Comptroller Gould, a report exposed how ChexSystems is blacklisting people from getting bank accounts without transparency, accessibility, or fair practices. Can I have your commitments to working collaboratively to help eliminate barriers to banking for people with criminal records?

   Response: The OCC is committed to working with Congress to ensure individuals are not denied access to financial services solely because of an individual's criminal or incarceration history.

NCUA

United States House Financial Services Committee **December 2, 2025**
Oversight of Prudential Regulators
The Honorable Scott Fitzgerald

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1) **Mr. Hauptman, as housing and construction costs have risen, and standard amortization terms have lengthened across the market, the current 15-year cap on certain federal credit union property loans has become increasingly misaligned with economic reality. My bill, the Expanding Access, allows the NCUA Board to increase the federal credit union loan maturity cap to 20 years, or longer if the Board allows by regulation would give federal credit unions more flexibility to extend loans for member properties beyond the current 15-year limit.**

   a) **How do you see this change helping credit unions better serve their members while maintaining safety and soundness?**

   RESPONSE: Federal law establishes the framework under which federal credit unions may lend to its members (12 U.S.C. § 1757(5)(A)). The law provides statutory flexibility to offer longer maturities for residential real estate loans up to 40 years, as well as home improvement loans with maturities of up to 20 years (12 CFR 701.21(g)).

   In practice, H.R. 4167, the Expanding Access to Lending Options Act, would be most relevant for certain commercial and small-business loans if it were enacted as drafted.

   This change could help credit unions be more competitive in offering small business loans. Under current law, business loans made by credit unions, even those secured by real estate, are generally limited to a maturity of 15 years. Business loans offered by other lenders typically do not have maturity caps, allowing those entities to offer more options to borrowers.

   Extending the federal credit union loan maturity cap by 5 years to 20 years could lower monthly payments which would improve cash flow amid higher property values and interest rates. However, longer loan terms often result in higher total interest paid over the life of the loan, emphasizing the need for informed decisions and strong underwriting. For example, the monthly payment on a 20-year, $10,000 loan with an interest rate of 6.35 percent would be $13 lower than for a similar loan with a 15-year term, producing annual savings of roughly $150. However, the interest paid over the 20-year

life of the loan would amount to nearly $7,700 compared with roughly $5,500 for the 15-year loan.

Should Congress pass H.R. 4167, any use of extended maturities would remain subject to existing supervisory standards around underwriting, interest rate risk management, and capital adequacy to balance member benefit with safety and soundness.

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2) **In 2023, the NCUA issued an RFI on climate-related financial risk, framing it as part of your safety and soundness responsibilities. Since then, many credit unions have raised concerns that this pushes the agency into environmental policy rather than core prudential supervision.**

a) **Is that RFI still in place?**

b) **What specific demonstrable safety-and-soundness gaps are you trying to close that existing risk management frameworks does not already address?**

Response: In April 2023, the NCUA Board published a notice seeking input on current and prospective climate-related financial risks to federally insured credit unions, related entities, and the National Credit Union Share Insurance Fund. After reviewing the responses, no further action was taken.

NCUA

United States House Financial Services Committee **December 2, 2025**
Oversight of Prudential Regulators
The Honorable Zach Nunn

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1) **Given that fraud and scams increasingly involve criminals utilizing telecom platforms, social media companies, and encrypted messaging apps, often through international crime rings, do you agree that addressing fraud requires a whole-of-society approach? How should the task force created by H.R.4936, the *TRAPS Act* coordinate across sectors to address the root causes of fraud and scams?**

Response: Yes, addressing fraud requires a collaborative approach. NCUA defers to Congress and the Administration to establish priorities and direction associated with the task force that would be established if H.R. 4936 were to be enacted. We appreciate the opportunity to be included in the task force and would look forward to working with Congress and our interagency peers on the efforts to reduce and mitigate fraud.

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2) **One of the strengths of the *TRAPS Act* is that it focuses on the origination of scams rather than solely on the payment rail used at the end. How might this help policymakers better understand where scams start and develop solutions that address the problem at its source?**

Response: The U.S. Department of Justice may be better positioned to respond to questions related to the trends relating to criminal activity, including fraud and consumer scams. As the lead agency dealing with fraud, the Department would be better suited to answer questions related to incentives for scams and other fraudulent activity.

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3) **Multiple regulators have pointed out that scams are being funded and run through transnational criminal organizations. Do you consider this a national security issue? If so, how should that perspective shape a federal response?**

Response: The President, National Security Council, and other national security entities within the Executive Branch are better suited to respond to your question about the threats posed by transnational criminal organizations.

NCUA

United States House Financial Services Committee **December 2, 2025**
Oversight of Prudential Regulators
The Honorable Brad Sherman

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1) **NCUA Hiring Freeze: Please clarify whether the NCUA's hiring freeze, which was intended to last through October 15th, is still in place. Does NCUA have sufficient staff, including examiners to conduct its work? If the hiring freeze is not extended will the NCUA resume hiring and in which offices?**

Response: NCUA currently maintains sufficient staff, including examiners, to effectively fulfill the agency's mission. Despite a reduced workforce footprint, the agency continues to provide robust oversight of credit unions, uphold regulatory standards, and address emerging risks. At the same time, it fosters a regulatory environment that promotes growth, opportunity, and innovation within the credit union system.

NCUA continues to adhere to the Administration's hiring guidance. The agency began implementing *Executive Order 14356, Ensuring Continued Accountability in Federal Hiring,* by establishing a Strategic Hiring Committee to help prioritize future hiring that aligns with national interests, agency needs, and Administration priorities. EO 14356 also requires each agency develop and submit an annual staffing plan, in coordination with the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM), to ensure new career appointments are in the highest-need areas.

While NCUA currently maintains adequate staffing levels to fulfill its mission, the agency recognizes the need to fill targeted vacancies to address specific gaps in leadership and technical roles. To fulfill the requirements of EO 14356 and to define which of these vacancies will be prioritized in Fiscal Year 2026, NCUA's Strategic Hiring Committee prepared and submitted its Annual Staffing Plan to OPM and OMB for review in December 2025. Using this Annual Staffing Plan as a framework, the NCUA will continue to collaborate with OPM and OMB to resume selective hiring of approved mission-critical positions.

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2) **NCUA Reorganization Plans: Have decisions been made about the reorganization of the agency? Can you share any details on what to expect?**

Response: NCUA is in the process of reimagining the agency as it adapts to a leaner team, manages staff transitions, and focuses on the areas most important to advancing the agency's mission. The guiding principles for the reorganization were identified as:

- Prioritizing statutory requirements and the most important work
- Improving customer experience
- Reducing and consolidating primary business units, grouping like functions to the maximum extent possible
- Achieving and maintaining a lower headcount and ensuring vacancies are only filled in the highest areas of need
- Increasing the overall average of the number of employees supervised per manager
- Where appropriate, moving functions out of the headquarters to the regions and closer to the entities we examine and insure
- Leveraging technology

NCUA's reorganization is ongoing and the agency remains focused on examinations and the protection of the Share Insurance Fund. NCUA expects to finalize its reorganizational plans in the near-term future and plans to start its reorganization effort in 2026. To help advance this effort, the NCUA's approved 2026-2027 budget includes $16 million for reorganization expenses and associated investments, including process improvements and technology-related efficiency initiatives.

3) **Share Insurance Emergency Powers: Looking back at the bank failures of 2023, one option under consideration is for Congress to provide the FDIC with standing authorities for an emergency temporary Transaction Account Guarantee Program. Does the NCUA believe that having similar authorities for temporary unlimited share insurance would help provide more options when responding to credit union failures?**

RESPONSE: NCUA looks forward to working with Congress on any proposed updates to its share insurance fund, including any additional options for responding to failures of insured institutions.

4) **GENIUS Act Implementation: How is your agency monitoring and mitigating potential deposit flight from regulated financial institutions like banks and credit unions due to stablecoin adoption (the GENIUS Act), and will your agency ensure**

stablecoins do not incentivize Americans to pull their money out of community banks or credit unions and out of circulation in our economy?

a) **How is your agency approaching rulemaking for the GENIUS Act? How will your agency ensure that tokenized money market funds and stablecoins compete on a level playing field without undermining community banks and credit unions?**

RESPONSE: NCUA will continue to review liquidity risk and balance sheet management in credit unions through examinations and supervision. The agency uses quarterly data to monitor industry-wide liquidity and deposit trends.

NCUA will enforce stablecoin issuer compliance with the GENIUS Act (P.L. 119-27) requirements and any applicable rules, to provide market stability. Because payment stablecoins issued by permitted payment stablecoin issuers do not offer yield and are not backed by federal deposit or share insurance, there is less incentive for consumers to flee the domestic banking system.

NCUA will continue to collaborate with stakeholders, including the Department of the Treasury and the Federal Reserve Board, to monitor trends and address concerns related to money supply, competition, and parity, as necessary.

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5) **Debanking Executive Order: President Donald Trump on August 7, 2025, issued an executive order, "Guaranteeing Fair Banking for All Americans," which directs regulators to remove "reputation risk" considerations, prohibit politicized or religion-based debanking, and reinstate affected clients. The EO instructs the U.S. Small Business Administration (SBA) to notify lenders (e.g., credit unions and banks) within 60 days and require them to reinstate previously impacted clients within 120 days. Many lenders have already begun to receive notices asking them to respond by January 5th, 2026 to the SBA detailing all loans denied for political reasons – with no time limit on how far back in time to analyze. Has your agency coordinated with SBA in seeking clarification on SBA's requests to lenders? Furthermore, how will your agency implement the so-called "debanking" executive order? Will your agency issue similar requests, asking financial institutions to furnish a list of all loans or bank accounts denied for political reasons?**

RESPONSE: Executive Order 14331, "Guaranteeing Fair Banking for All Americans," directs the Small Business Administration (SBA) to take actions with respect to financial institutions involved in its loan programs. The Executive Order does not require the SBA to consult or coordinate with NCUA. When credit unions inquired about SBA's requirements, we encouraged credit unions to comply by the January 5, 2026, deadline.

We defer to the SBA for detailed information on processes and communications it has implemented to meet the requirements of the Executive Order.

NCUA has also taken numerous steps to remove reputation risk from its supervision policies, program, and guidance by February 3, 2026. To date, the NCUA has:

- Announced the removal of reputation risk from its examination program and issued formal guidance to both credit unions and examiners reflecting this change.
- Issued a notice of proposed rulemaking to codify the elimination of reputation risk.
- Removed references to reputation risk from the agency's guidance materials, instructions manuals, and website.

6) **Interagency Fraud Coordination: As you know, fraud and scams against consumers are growing at an exponential rate. Much of the fraud banks see originates from telecom networks, social media, and digital paid advertisers, and these entities could do more to help prevent scams and fraud. Is there any effort from your agency to work with the FCC and FTC to increase accountability of these platforms for fraud that originates on their networks? How are financial regulators engaging with those agencies to advance that goal, and are there specific authorities or actions Congress could consider to help drive greater responsibility from those sectors and disrupt criminal activity at the source?**

Response: NCUA recognizes the benefits of collaborating with the Federal Communications Commission (FCC) and the Federal Trade Commission (FTC) to enhance accountability and mitigate fraudulent activities at their source. There is currently no formal interagency process bringing together the FCC and FTC. NCUA defers to the Administration and the U.S. Department of Justice when planning and coordinating interagency efforts related to preventing fraud and disrupting criminal activity.

NCUA

United States House Financial Services Committee **December 2, 2025**
Oversight of Prudential Regulators
The Honorable Maxine Waters

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1) **Earlier this year, President Trump issued an executive order requiring your agency submit all proposed rules and your agency budget to the White House for review.**

   a) **Has your agency complied with all aspects of this executive order? If so, provide a detailed description of what steps you have taken to address the executive order, including providing a list of each document your agency has sent to the White House for review.**

      Response: Consistent with Executive Order 14215, "Ensuring Accountability for All Agencies," NCUA coordinates, as appropriate, with the White House. As part of that coordination process, NCUA submits regulatory actions to the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA). Recently, NCUA issued several proposed rulemakings as part of our Deregulation Project and coordinated with OIRA. NCUA's Deregulation Project involves a comprehensive review of NCUA's regulations to ensure safety, soundness, and resilience of credit unions. The agency is focused on removing or revising regulations that are obsolete; overly burdensome; duplicative of other requirements; or serve merely as guidance. Regulations issued to date can be viewed at the agency's website at www.ncua.gov.

   b) **The Executive Order contemplates interagency review of proposed rules sent to the White House for review. Which Departments or agencies have provided feedback on any of your proposed rules?**

      Response: Pursuant to Executive Order 12866, OIRA is responsible for coordinating interagency Executive Branch review. Details regarding any feedback received through the Executive Branch review process are deliberative beyond what is allowed for by Executive Order 12866.

   c) **Under what Federal law are you required to submit such rules and budget to the White House for review?**

      Response: On September 30, 1993, Executive Order (EO) 12866 was issued and provides for the review of an agency's "significant regulatory actions" by OIRA. Originally, EO 12866 excluded federal functional regulators from the OIRA review requirements. However, on February 18, 2025, President Trump signed EO 14215 ("Ensuring Accountability for All Agencies"), which amends

EO 12866 to subject such agencies, including NCUA, to OIRA regulatory review.

d) **Is it a violation of the Administrative Procedure Act or any other Federal law to allow the White House or other Federal Departments or agencies a chance to provide feedback on your proposed or final rules before or after the public comment period of any regulation?**

Response: Federal law does not prohibit feedback from entities within the Executive Branch on NCUA's proposed or final rules.

e) **Does your agency record any feedback you receive from the White House or other Departments or agencies alongside any other comment you receive from the public on rulemakings? If so, please provide a list of such records and where the public may review them, and if not, please explain why you don't make record of that.**

Response: Details regarding any feedback received through the Executive Branch review process are deliberative beyond what is allowed for by Executive Order 12866.

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2) **What feedback has the White House or other Federal Departments or agencies given you with respect to your agency's budget, priorities, staffing, or other aspects of your operations?**

Response: In fall 2025, NCUA submitted its draft budget to OMB for review. NCUA releases a detailed draft budget and solicits public comments on it each year. As required by 12 U.S.C. 1789(b)(1), before adopting a final budget, NCUA presents a draft budget to the public on the agency's website and in the Federal Register, allowing credit unions and the public to provide feedback to the Board on the budget. The Board also holds a public hearing on the draft budget. Details regarding any feedback received from the Executive Branch in the process of developing the President's Budget are deliberative.

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3) **Please provide a list of any time officials from the so-called "Department of Government Efficiency" (DOGE) visited your agency.**

Response: On April 10, 2025, officials from the Department of Government Efficiency (DOGE) visited NCUA.

Questions for the Record

4) **Did your agency provide access to DOGE to any of your data and information systems? If so, please describe what access was provided, and what protocols were followed.**

Response: Yes. NCUA provided DOGE officials with a standard-issue laptop. The DOGE officials were not issued PIV cards and could not access most NCUA applications. The agency provided DOGE officials with a list of government contracts, employees, and contractors.

5) **Please describe your agency's interactions with the Consumer Financial Protection Bureau this year, and how it may have differed from previous years.**

Response: NCUA and the Consumer Financial Protection Bureau (CFPB) continue to collaborate as interagency partners. Please note that, historically, when CFPB takes an enforcement action against a credit union, it does not consult NCUA. NCUA generally receives notifications of action or closing of action. CFPB continued to notify NCUA of its activity in 2025, and it continued to share examination and enforcement action reports with a 30-day review period before providing the reports to the applicable credit union.

NCUA and CFPB continued to refer, as appropriate, consumer complaints to each other under their authorities to address complaints under the Consumer Financial Protection Act. The NCUA and CFPB also shared consumer complaint and inquiry data with each other through Quarterly Interagency Complaint Meetings with other agencies involved in the Federal Financial Institutions Examination Council (FFIEC). These meetings are designed to share and discuss quarterly and annual complaint totals, call trends, and top compliance-related issues impacting consumers. In 2025, at the request of NCUA, the CFPB met with NCUA staff to discuss its consumer complaint process and Government Portal, which enhanced interagency collaboration.

Throughout 2025, all FFIEC-member agencies, including NCUA and the CPFB, participated in monthly meetings of the Task Force on Consumer Compliance to discuss emerging issues impacting consumers and to ensure a consistent supervisory framework is applied to regulated depository institutions. Likewise, the CFPB updated its Depository Institution and Affiliates list to inform prudential regulators, like NCUA, of changes in CFPB's supervisory jurisdiction based on Call Report data.

Questions for the Record

6) **Does climate change pose any financial risks for the banks that you supervise? If so, please explain, and if not, please describe why not.**

Response: Credit unions are best suited to assess risks and opportunities within their fields of membership. NCUA focuses on financial risks to credit unions and the health of the U.S. financial system. Accordingly, the agency will not interfere with credit union lending decisions for climate-related financial risk or engage in environmental policymaking.

7) **Following the sudden failure of Silicon Valley Bank and it initially seemed uninsured depositors would not have access to all their funds, small businesses across the country panicked and some of them pulled their money out of community financial institutions and move their funds to the megabanks. The FDIC later issued a report in May 2023 on deposit insurance reforms, with a recommendation to expand deposit insurance to cover business payment accounts as the most sensible option. This is an area that has broad bipartisan support, with Vice President Vance, Senators Hagerty and Alsobrooks, and I introduced a bill to expand deposit insurance. Even House Republicans posted several pieces of legislation at a recent hearing that borrowed key provisions from my bill, which received extensive technical feedback from FDIC and NCUA career staff when we developed it. Is this an area that this Committee should work together on to ensure community banks and credit unions can continue serving small businesses who have accounts larger than $250,000?**

Response: When considering statutory changes related to insured deposits or insured shares, it is important for policy makers to keep in mind the structural differences between the FDIC's Deposit Insurance Fund (Deposit Insurance Fund) and the NCUA's Share Insurance Fund (Share Insurance Fund).

The funding mechanism and framework for the FDIC's Deposit Insurance Fund has some fundamental differences from the Share Insurance Fund. The FDIC assesses banks quarterly to fund the Deposit Insurance Fund and FDIC operations. The FDIC may also impose special assessments when necessary. All assessments are based on a bank's assets. Because banks pay into the Deposit Insurance Fund based on assets, expanded insurance coverage may be less impactful on the amount assessed to banks.

Generally speaking, credit unions fund the Share Insurance Fund by depositing 1 percent of the value of its insured shares into the fund. The formula is based on a 1 percent insured shares and is not based on assets size looking at both insured and uninsured assets.

Increasing the insured limit for certain accounts would increase the amount of insured shares in credit unions and insured deposits in banks. However, because bank assessments are based on assets and not insured shares, the banks are already 'paying' for these accounts regardless of whether or not they are insured. Since credit unions only fund the Share Insurance Fund based on insured shares, the immediate change from some accounts transition from uninsured to insured would increase the 1 percent of insured shares that credit unions must deposit in the Share Insurance Fund. This deposit is recorded as a non-earning asset on the credit union's balance sheet, so there would not be a related expense.

The Share Insurance Fund equity ratio is the ratio of contributed capital (1 percent deposits) and retained earnings in the Share Insurance Fund relative to the amount of insured share deposits held by credit unions, and is an indicator that represents the adequacy of reserves available to protect share depositors and maintain public confidence. The NCUA Board determines the normal operating level for the equity ratio, which statutorily must fall between 1.2 percent and 1.5 percent.

The NCUA Board may assess a premium when the ratio falls between 1.2 percent and the declared operating level, but it is required by law to assess a premium or develop a restoration plan if the equity ratio falls below 1.2 percent. Similarly, the NCUA Board will declare a distribution if, at the end of the calendar year, the equity level exceeds the normal operating level, and other statutory criteria are met. It is required by law to do so if the equity ratio exceeds 1.5 percent.

The information about the equity ratio is relevant because mandatory expansion of the number of insured shares *may* impact the equity ratio. It is our understanding that Congress is considering language that intends to allow for the increased cost of insurance over time. As a practical matter, that is easier for the Deposit Insurance Fund because banks are generally already being assessed for these accounts. It is harder for the Share Insurance Fund because of the statutory requirements related to the capitalization deposit and insured share base.

The expanded share insurance coverage that would result from the enactment of this measure could also result in an immediate decrease in the Share Insurance Fund equity ratio. However, it is unknown whether this will result in a material change. Absent language to allow for slower funding, the NCUA may be compelled to assess an additional premium upon enactment.

While the Deposit Insurance Fund can use risk-based funding to avoid higher assessments, the Share Insurance Fund cannot. Credit unions will be subject to additional assessments because the Federal Credit Union Act lacks risk-based assessment authority.

Questions for the Record

8) **The Financial Data Transparency Act (FDTA), enacted in December 2022 as part of the National Defense Authorization Act, directs financial regulators, working with the Treasury Department, to establish uniform, non-proprietary data standards that enhance transparency, searchability, and interoperability for both agencies and regulated entities. A joint notice of proposed rulemaking was issued in August 2024, and the statute requires agencies to finalize that joint rule and subsequently adopt agency-specific rules applying those standards to their data collections. Is your agency on track to meet these statutory requirements, and what challenges, if any, could prevent timely implementation?**

Response: NCUA's legal and subject matter experts have been participating in interagency meetings to discuss the implementation of and rulemaking required by the FDTA. The agency is reviewing public comments and collaborating with other agencies to issue the final rule as quickly as practicable.

In addition to collaborating with the other agencies, NCUA is diligently assessing the potential impact on credit unions, their member owners, and the agency's data collection systems and data sharing practices. As the rule is finalized, NCUA will continue to refine the impact analysis and align internal resources to comply with the statute.

9) **The proposed FDTA standards aim to improve data quality, comparability, and searchability while reducing duplicative reporting requirements. Do the agencies expect to meet the Act's statutory requirements, including issuing a final joint rule and subsequent agency-specific rules? Given that Treasury's GENIUS Act advance notice of proposed rulemaking does not prescribe identifier standards for stablecoin issuers and other market participants, how will agencies ensure that GENIUS reporting requirements are harmonized with FDTA's common identifiers and data standards?**

Response: NCUA's legal and subject matter experts have been participating in interagency meetings to discuss the implementation and rulemaking required by the FDTA. NCUA is reviewing public comments and collaborating with other agencies to issue the final rule as quickly as possible.

Similarly, NCUA has been collaborating with the federal banking regulators and Treasury to enforce the GENIUS Act requirements and all applicable laws and regulations, including those related to the FDTA.

Questions for the Record

10) What steps have you taken to promote diversity, equity, and inclusion in the work of your agency?

Response: In accordance with the January 20, 2025, Executive Order titled "Ending Radical and Wasteful Government DEI Programs and Preferencing," NCUA ceased coordinating and sponsoring DEI-related programs and activities. The agency continues to be committed to complying with Federal EEO law, ensuring fair treatment for all employees, former employees, and job applicants.

11) Who is currently running your Office of Minority and Women Inclusion (OMWI)?

Response: The Secretary of the Board, Melane Conyers Ausbrooks, is the Acting OMWI Director.

12) How many full-time employees are working in your OMWI?

Response: OMWI has two full-time staff members, both of whom are Equal Employment Opportunity (EEO) specialists managing EEO complaints and Alternative Dispute Resolution processes.

13) What work has your OMWI been performing in 2025?

Response: NCUA adheres to Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. OMWI manages the agency's Equal Employment Opportunity (EEO) programs, complying with Title VII of the Civil Rights Act of 1964 and 29 CFR Part 1614, Federal Sector Equal Employment Opportunity. In 2025, OMWI's activities included:

- **EEO Activities:** The agency consistently adhered to regulatory requirements in processing EEO and Alternative Dispute Resolution complaints.
- **Business Activities:** NCUA promoted the consideration of all qualified vendors for agency contracting opportunities. The agency shared information with vendors on conducting business with NCUA and offered technical assistance referrals for specialized vendor support. NCUA also evaluated contractor compliance with the regulatory requirement to make good faith efforts to promote equal employment opportunity within their workforce.
- **Mentorship Program:** NCUA's mentorship program involved 30 mentor-mentee pairs. Upon the conclusion of the program, 90 percent of participants reported significant professional growth, 96 percent learned new job performance techniques, and 94 percent rated their mentoring match favorably.
- **Reports:** The agency submitted the FY 2024 and FY 2025 Federal Equal Employment Opportunity Recruitment Program Reports to the Office of Personnel Management, the FY 2024 Management Directive Report 715 (and

corresponding State of the Agency Briefing to the agency Chairman), 462 Report, and No FEAR Report to the Equal Employment Opportunity Commission, and the FY 2024 OMWI Congressional Report to Congress.

- **Training:** The EEO team participated in training sessions for supervisors and non-supervisors, focusing on EEO related programs as mandated by the Equal Employment Opportunity Commission.

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14) Does your OMWI play any role in promoting and preserving MDIs?

Response: No, responsibility for promoting MDIs is under the purview of the Office of Credit Union Resources and Expansion.

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15) Fraud and scams have become a major crime problem in the U.S. with individual and business victims from all walks of life, regardless of location, ethnicity, gender, age, size, or income. Indeed, payment fraud and scams are on the rise, and it is happening through a variety of channels, including check fraud or the use of AI to trick consumers to share sensitive account information or large amounts of money through payment apps.

a) **Internal Activity: What are some of the actions that your agency is undertaking individually or collectively to improve capacity internally to address this growing fraud and scams threat?**

Response: NCUA's Electronic Payment Systems review program evaluates credit union fraud monitoring, including tools used to identify, prevent, and monitor fraudulent activity. Payment systems are a Supervisory Priority for the agency in 2026, meaning examiners have additional time and resources to focus on associated risks, governance, and controls. Institutions and industry organizations share tactics or tools used by other credit unions to identify and prevent fraud, and the agency is learning more about factors contributing to fraud losses, such as specific weak controls.

b) **FI Activity: What are some of the best practices that your agency is seeing from the financial institutions that you oversee, regarding detecting and deterring fraud and scams? What are best practices from the same institutions in protecting their customers before, during, and after becoming a target of such bad acts?**

Response: Detecting and deterring fraud and scams include using real-time detection tools at the source of payment or transaction origination such as mobile and online banking apps. Institutions are also implementing machine learning (AI) tools to recognize and alert unusual consumer behavior. Some best practices we have seen involve continuous member education, real-time

pop-up notifications, and self-administered tools such as setting notifications for transaction limits on debit and credit cards, mobile apps, and online banking platforms.

Credit unions use internal controls and vendor solutions, both manual and system enforced, for Know-Your-Customer requirements and to identify, detect, and prevent fraud across their products and services. Here are some additional practices the agency has observed in credit unions, which may be more or less practical based on the size of the institution:

- Credit unions typically have dual control procedures especially for large dollar wires and ACH payments.
- Some credit unions link to external financial institution accounts. This can be an added control that credit unions use to look for individuals that are opening accounts across multiple financial institutions.
- Some institutions establish risk-based transaction limits. These can be set based on the number of transactions over various time periods (daily, weekly, and monthly) as well as by dollar amount.
- Credit unions typically have wait times, such as 30 minutes, before sending the wire for large dollar wires.
- Credit unions have robust internal tracking and reporting. For example, they tend to have dedicated fraud staff and a process of reporting trends, events, losses and recoveries. Many credit unions have identified key performance indicators to track, in aggregate and by product line. They use risk-based controls to mitigate the transactional risks based on the length of time and account history and are more restrictive for new accounts.
- The credit unions have ways to proactively communicate with members for education and awareness through their website, through omni-channel notifications or in-person at the office or at their annual meeting.
- Some credit unions meet with each other and discuss trends and share best practices and information. Many credit unions foster and maintain relationships with local law enforcement and elder care services and across multiple locations.

c) **LE Activity: Law enforcement agencies that pursue the bad actors committing fraud and scams state that Bank Secrecy Act (BSA) Data (e.g., suspicious activity reports and currency transaction reports) from the financial institutions that you**

oversee is essential for clawing back funds or for pursuing the bad actors who commit the crimes. For example, IRS-CI shares that it "...used BSA data to identify $21.1 billion in fraud tied to tax and financial crimes, seize $8.2 billion in assets tied to criminal activity, and obtain $1.4 billion in restitution for crime victims." What additional information or changes to the BSA Data information and collection could further improve your LE partners' efforts to combat fraud, scams, and other financial crime?

Response: The Department of the Treasury's Financial Crimes Enforcement Network is the primary administer of the BSA. We defer to the Department of Justice on improving BSA information collection and law enforcement's efforts to combat financial crimes.

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16) As it relates to fraud and scams (and financial crime, in general), how might financial institutions better share data to assist in combatting attempted or successful fraud schemes and scams? For example, are there proposed improvements to the 314(b) process that would be helpful to the financial institutions that you oversee? Are there regulatory or statutory changes that would improve data sharing, data pooling, or other means or collaboration?

Response: NCUA is not aware of any proposed enhancements relating to the 314(b) process. However, there are opportunities to improve information sharing to combat fraud. Financial institutions, trade associations, and the Department of the Treasury's Financial Crimes Enforcement Network are the best source of information regarding the types of incentives or changes to encourage better participation in information sharing processes.

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17) On December 10, 2025, the Wall Street Journal shared that Treasury is circulating among your agency a draft term sheet that would, "give the Treasury's Financial Crimes Enforcement Network (FinCEN) the ability to veto a finding by another regulator that a bank has infringed on the Bank Secrecy Act. If finalized, it could allow banks in some cases to avoid being penalized by regulators for what the Treasury views as mere technical violations of their anti-money-laundering systems." How would this proposal impact the ability of your agency to conduct its exams or pursue enforcement actions, including for risk and safety and soundness issues?

Response: We defer to the Department of the Treasury for any information related to proposed policy or regulatory changes related to the BSA.

Federal law (12 U.S.C § 1786(q)) requires federally insured credit unions to establish procedures for BSA compliance. It also requires NCUA review a credit union's AML/CFT program and document any challenges with the credit union's

program. NCUA examiners conduct BSA reviews tailored to each credit union's risk profile.

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18) The Federal Reserve's FraudClassifier and ScamClassifier models are tools developed to help financial institutions consistently classify and report fraudulent activities. The FraudClassifier model distinguishes between payments initiated by authorized and unauthorized parties, while the ScamClassifier model provides a structured way to categorize specific types of scams based on their root cause, such as a product or service scam versus a relationship-based one. These models use a series of questions and a decision-tree approach to improve fraud detection, mitigation, and educational strategies across the payments industry.

a) How might this model be helpful in addressing fraud and scams? Could this or another model, if harmonized across regulatory agencies, be helpful in tackling fraud and scams?

Response: Federal Reserve models or tools can benefit financial institutions and consumers. An "ease-of-use" assessment may ensure the models are user-friendly. A clearer explanation of the differences between the FraudClassifier and ScamClassifier and their applications may also be helpful.

FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429
Office of Legislative Affairs

February 20, 2026

The Honorable J. French Hill
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Hill:

Enclosed, please find responses from Federal Deposit Insurance Corporation Chairman Travis Hill to the Committee's Questions for the Record for the December 2, 2025, hearing entitled, "Oversight of Prudential Regulators."

If we can provide you further information, please let us know. I may be contacted directly at mjiminez@fdic.gov or (202) 898-6761.

Sincerely,

M. Andy Jiminez
Director
Office of Legislative Affairs

Enclosure

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Wagner

1. **Chair Hill, the FDIC under your leadership has done great work to ensure its regulations – including the asset thresholds that are used to determine supervision requirements – are tailored to fit the many different financial institutions under its purview.**

   Through our work on this Committee, my colleagues and I have also advanced measures that would bring these thresholds into line with changes in our economy and throughout the financial services sector.

   Would you discuss the benefits of periodically updating these thresholds based on inflation or economic growth? What thresholds are most important for Congress to consider updating?

   Response:

   Periodically updating thresholds is important to preserve their intended application and policy objectives. In particular, static dollar-based thresholds can lead to unintended policy consequences if threshold levels are not updated from time to time. Properly structured, appropriately sequenced, and predictable threshold adjustments promote consistent application of regulatory requirements over time and contribute to a more durable regulatory framework.

   Congress may wish to consider updating static dollar-based thresholds set by statute, which often determine the scope of applicability of requirements. A common threshold measurement is the amount of total on-balance sheet assets of an institution (measured in dollars), which has long served as a proxy for an institution's size.

   Thresholds that Congress could consider updating include:

   - The $10 billion asset threshold that determines eligibility for the community bank leverage ratio,[1]
   - The $10 billion asset threshold providing relief to certain community banks under Section 13 of the Bank Holding Company Act of 1956, also known as the Volcker Rule,[2]
   - The $3 billion asset threshold for the 18-month examination cycle,[3] and
   - The $5 billion asset threshold to determine eligibility for short-form Call Reports.[4]

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[1] Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L.115–174, § 201, 132 Stat. 1296 (2018).
[2] *Id.* at § 203.
[3] *Id.* at § 210.
[4] *Id.* at § 205.

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Emmer

1. **Given the economic growth since the 2019 Tailoring Rule, do you believe it's time to revisit and update the rule to better reflect today's banking landscape? Further, can you share how your respective agencies evaluate whether current asset thresholds for regulatory requirements are appropriately calibrated to the size and complexity of institutions in today's economy?**

   Response:

   I do agree that it is worth revisiting the thresholds in the 2019 Tailoring Rule. The FDIC has been focused on raising and indexing thresholds in our regulations. On November 25, 2025, the FDIC issued a final rule that raises and indexes certain regulatory thresholds in FDIC regulations to ensure that such thresholds preserve their intended application over time.[5] The final rule issued by the FDIC is the first of a multi-phase effort to reevaluate thresholds within the FDIC's regulations. The FDIC intends to evaluate other thresholds within its regulations for inclusion in future proposals and, as appropriate, will seek to coordinate with other federal banking agencies, including with respect to regulatory thresholds established by the 2019 Tailoring Rule.

2. **Do you believe indexing the thresholds to nominal GDP could help avoid arbitrary cliff effects and ensure that supervisory burdens are proportionate to systemic risk, especially for mid-sized and regional banks? If yes, would you support indexing regulatory thresholds to nominal GDP to ensure that the rules remain durable and promote responsible growth?**

   Response:

   Static dollar-based thresholds can lead to unintended policy consequences if threshold levels are not periodically updated. For example, smaller and mid-size institutions can become subject to asset-based requirements originally intended for relatively larger institutions solely as a result of growth in price levels, thereby increasing burden for reasons unrelated to changes in their inflation-adjusted size or risk profile. This dynamic can exacerbate cliff effects, particularly for requirements that are applied based on point-in-time assessments of size, rather than over a period of time (e.g., averaging). Properly structured, appropriately sequenced, and predictable threshold adjustments promote consistent application of regulatory requirements over time and contribute to a more durable regulatory framework.

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[5] Federal Deposit Insurance Corporation, Adjusting and Indexing Certain Regulatory Thresholds, 90 Fed. Reg. 55,789 (Dec. 4, 2025).

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Stutzman

1. **What steps do you feel need to be taken to ensure a successful end to the GSEs' conservatorship that preserves low mortgage rates and does not disrupt the housing market?**

   Response:

   The U.S. Department of the Treasury and the Federal Housing Finance Agency are best positioned to address the way forward for the GSEs' conservatorship.

2. **What steps can be taken, as prudential regulators, to ensure depositories can remain competitive in the CRE-lending space?**

   Response:

   Depositories and, particularly, community banks, play a vital role in supporting local economies by providing commercial real estate (CRE) lending services that enable businesses to grow and communities to thrive. Although CRE lending represents a significant portion of assets for many community institutions, often this concentration reflects their commitment to meeting local credit needs and driving economic development. With sound underwriting, prudent risk management, and constructive loan accommodations,[6] community institutions can be well-positioned to continue financing projects that create jobs, revitalize neighborhoods, and strengthen economic resilience. This balanced approach demonstrates the FDIC's commitment to supporting institutions in remaining competitive while delivering essential credit to the communities they serve.

3. **Do you believe that if the current risk weights on statutory multifamily housing were appropriately lowered, depositories could more competitively lend to rental properties, helping with current affordability challenges?**

   Response:

   The FDIC is currently engaged with the other federal banking agencies in reevaluating many aspects of the capital framework, including risk weights for different types of mortgages. Risk weights affect a bank's cost of capital, which is one factor, among several, that affects how banks set the interest rates on their loans. Other factors include the creditworthiness of the borrower and the condition of the property. All other things equal, lower risk weights would reduce a bank's cost of capital and provide an incentive for banks to reduce the interest they charge on loans. In establishing risk weights under the capital framework,

[6] *See, e.g.,* Federal Deposit Insurance Corporation, Interagency Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts, FIL-34-2023 (June 29, 2023).

Questions for the
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Hearing
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December 2, 2025
From Rep. Stutzman

the federal banking agencies will continue to seek to balance various policy objectives, including increasing credit availability in key markets.

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Meuser

1. **Chairman Hill, the dramatic surge in financial fraud and scams originating on social media has created an unprecedented crisis for consumers and the financial industry. Recent Federal Trade Commission data shows that social media was responsible for significant consumer losses, and some large banks have reported that nearly 50% of their fraud complaints are directly linked to these platforms.**

   Compounding this crisis, a recent Reuters investigation revealed that Meta internally projected its 2024 revenue from scam and banned goods ads to be approximately $16 billion, or 10% of its total revenue. Internal documents also indicated that the company was profiting from this ecosystem, sometimes charging higher advertisement rates as a "penalty" to suspicious advertisers. This suggests a conscious business model that enables the criminal activity on which it relies.

   While your agencies are not the direct regulators of social media companies, the financial and operational burden—and the resulting customer frustration and loss—falls almost entirely on consumers and the financial services industry, which is left "playing catch-up" after the fraud has been perpetrated.

   What specific steps are your agencies taking, both individually and collectively, to coordinate with non-financial regulators—who have been called on to investigate this issue—to drive a systemic shift that compels these massive platforms to accept financial responsibility and implement proactive fraud prevention measures that truly disrupt criminal activity at the source?

   Response:

   The FDIC shares your concerns about financial fraud and scams and works with other Federal banking agencies, law enforcement agencies, and other stakeholders to monitor developments and highlight this issue. The FDIC conducts proactive industry and consumer outreach and education through platforms such as the *Supervisory Insights Journal*, *Threat Spotlight* bulletin, and *FDIC Consumer News*.

   For example, the FDIC shared methods for protecting personal finances and online identities in a consumer-focused article titled, "Protect Your Finances and Identity Online,"[7] published in October 2025. This article included references to additional resources, including the FDIC's Money Smart for Older Adults,[8] scam prevention information from the American Bankers Association,[9] and support materials from the

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[7] Federal Deposit Insurance Corporation, Protect Your Finances and Identity Online, *FDIC Consumer News* (October 2025).
[8] Federal Deposit Insurance Corporation, Money Smart for Older Adults, *Consumer Resource Center*.
[9] American Bankers Association, Fraud Prevention, *Banks Never Ask That*.

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From Rep. Meuser

Federal Trade Commission.[10]

In addition to our outreach and publications, the FDIC also collaborates with the other financial institution regulators as part of the Federal Financial Institutions Examination Council (FFIEC) to train staff. The FFIEC currently offers fraud-related classes specifically designed for examiners as well as annual fraud-related presentations through the Fraud Investigation Symposium, Financial Crimes Seminar, and Payment Systems Risk Conference. The FDIC and the U.S. Department of Justice (DOJ) also regularly co-host a Financial Crimes Conference focused on regulatory and enforcement strategies and best practices to combat financial institution fraud. The conference is multi-disciplinary and addresses investigatory, examination, and prosecutorial considerations for agency staff to apply in fulfilling their individual and collective supervisory and enforcement duties.

On June 16, 2025, the FDIC joined the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency to issue a request for information (RFI) seeking input from the public on action we can take collectively or independently to assist consumers, businesses, and financial institutions in mitigating check, automated clearing house (ACH), wire, and instant payments fraud.[11] The agencies received over 250 comments in response to the RFI and are working collaboratively to implement action plans for fraud education and mitigation.

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[10] Federal Trade Commission, Identity Theft, *Consumer Advice*.
[11] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Request for Information on Potential Actions to Address Payments Fraud, 90 Fed. Reg. 26,293 (June 20, 2025).

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Kim

1. **Vice Chair Bowman, Chairman Hill, and Comptroller Gould, all three of you have been on record criticizing the lack of adequate supervision in the leadup to the bank failures of 2023 and the pressing need to improve by focusing on material financial risks. While this hearing is focused on rightsizing regulation, I believe we are all in agreement that well-calibrated regulation must go hand in hand with effective supervision to preserve the integrity of our banking system.**

   To that end, now that you are all in seat leading your respective agencies, how are each of you considering the enhancement of supervisory processes so that you can identify and address problems before it is too late? How does the debate regarding revising certain aspects of the tailoring regime influence your approach to this issue?

   Response:

   Reforming supervision has been one of the FDIC's top priorities over the past year. As you note, a key lesson in the 2023 failure of Silicon Valley Bank was that supervisors devoted too much attention to risks that were not material to the financial condition of the institution, and devoted too little attention to the core financial risks facing the bank.

   In October 2025, the FDIC and the Office of the Comptroller of the Currency jointly issued a notice of proposed rulemaking that would focus enforcement actions and matters requiring attention on material financial risks that are most impactful to banks' safety and soundness.[12] The proposal would still allow supervisors to proactively identify, and require remediation of, material issues. Additionally, the proposal acknowledges that agencies will tailor supervisory and enforcement actions, as well as the issuance of matters requiring attention, based on capital structure, riskiness, complexity, activities, asset size, and any financial risk-related factor that the agencies deem appropriate.

   The FDIC is also working with the other members of the Federal Financial Institutions Examination Council (FFIEC) to review the Uniform Financial Institutions Rating System, more commonly known as the CAMELS rating system. This review is oriented toward refocusing the CAMELS rating system on material financial risks, including a reevaluation of the definitions of the component ratings. The FDIC is actively working with other FFIEC members to reevaluate the ratings definitions, with a goal to emphasize core financial risks while shifting away from an overemphasis on process-related issues that have little bearing on financial condition or solvency.

   The FDIC has taken other steps to strengthen its supervisory framework to promote

[12] Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Unsafe or Unsound Practices, Matters Requiring Attention, 90 Fed. Reg. 48,835 (Oct. 30, 2025).

Questions for the
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stability, resilience, and confidence of the U.S. banking system. Among other things, the FDIC advanced a series of reforms aimed at improving the effectiveness, efficiency, and consistency of supervision across examination activities. The FDIC has also implemented changes to improve the efficiency of the examination process and the timeliness of supervisory feedback by simplifying internal procedures and reducing unnecessary documentation, particularly for well-rated community banks. The FDIC also raised the asset threshold for the continuous examination program from $10 billion in assets to $30 billion in assets.

.Questions for the
Record Full Committee
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"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Fitzgerald

1. **Mr. Hill, reciprocal deposits allow banks to insure at least a portion of customer deposits above the standard FDIC limit. From your perspective, how do these arrangements help smaller banks manage liquidity and serve business customers? Looking ahead, are there steps Congress could take—such as updating the limits on reciprocal deposits as proposed in the bipartisan Keeping Deposits Local Act—to ensure this tool continues to provide effective support for community banks?**

Response:

Reciprocal deposits can be a useful tool in an institution's funds management and liquidity strategy. Reciprocal deposits can help smaller institutions manage liquidity by helping attract and retain valuable large-dollar customers, keeping those deposits from moving to larger institutions. They can also help community institutions serve business customers by freeing up assets previously held in cash or other high-quality liquid assets against uninsured deposits and repurposing those funds for loans within their local communities.

Given the banking sector disruptions under the previous administration, elevated interest rates, and continued pressure on small businesses, how does the FDIC engage with small business stakeholders and community banks to understand the downstream effects of your rulemakings and supervisory guidance?

Response:

As primary federal supervisor for nearly 2,800 state nonmember institutions, the FDIC recognizes the importance of small businesses to local economies and their need for bank credit. Accordingly, the FDIC maintains an ongoing dialog with community banks, trade associations, and other stakeholders to hear various perspectives on the impact of regulations and supervisory oversight. These discussions provide insight on the impact of our rules on financial institutions and their small business customers, helping our supervisory programs become more efficient and supportive of economic growth.

In addition to our industry outreach efforts, the FDIC follows the notice-and-comment rulemaking process established under the Administrative Procedure Act (APA),[13] which provides small businesses, community banks, and private citizens with an opportunity to express their views on agency rulemakings. The FDIC thoughtfully considers all submitted comments before finalizing any rule.

[13] *See* 5 U.S.C. § 553.

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And how do you incorporate that feedback to ensure well-intentioned policies do not unintentionally restrict access to credit or deposit services for Main Street businesses?

Response:

As noted above, the FDIC engages in extensive outreach with the private sector, and regulations proposed by the FDIC are subject to a public notice-and-comment requirement under the APA. This provides a mechanism for the public to submit views on the potential impact of proposed rulemakings. Importantly, comments that highlight any adverse impact that might result from a proposed regulation (e.g., unintentional changes that negatively impact credit availability or deposit services) are thoroughly analyzed to ensure the potential effects on all stakeholders, including small businesses and retail customers, are considered before finalizing any rule.

2. **The FDIC's proposal to rescind the 2023 CRA rule and reinstate the 1995 framework signals a shift in how community and regional banks are assessed on lending, investment, and service tests.**

   Could you elaborate on the specific deficiencies in the 2023 framework that this initiative seeks to address?

   Response:

   Banks continue to be assessed under the 1995 framework,[14] as the 2023 final rule[15] never went into effect due to litigation. As Vice Chairman, I voted against the 2023 final rule and detailed a number of deficiencies with the rule at the time.

   For example, the formulas and benchmarks to evaluate retail lending by institutions was far too complex, and the interplay between the retail lending tests and retail lending assessment areas included in the 2023 final rule could create or exacerbate disincentives for banks to continue to serve certain communities to avoid triggering additional assessment areas.

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[14] *See* Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Thrift Supervision, Community Reinvestment Act Regulations, 60 Fed. Reg. 22,156 (May 4, 1995).
[15] *See* Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Community Reinvestment Act, 89 Fed. Reg. 6,574 (Feb. 1, 2024).

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With respect to community development, the 2023 final rule contains various restrictions that would discourage many worthwhile projects. For example, institutions would not receive pro-rata credit for a range of projects if they fail to meet the "majority" or "bona fide intent" standards included in the rule.

How does the FDIC expect this recalibration to improve both regulatory clarity for institutions and measurable outcomes while maintaining prudential standards?

Response:

The CRA regulations, first implemented in 1978[16] and significantly revised in 1995,[17] have remained largely unchanged for 30 years. The 2023 final rule is 1,500 pages long, easily the longest and most complex rule the FDIC has ever issued. While modernization of the regulation could be helpful to reflect changes in the banking industry due to new technology and business models, the 2023 final rule is overly complex and does not provide more clarity, consistency, and certainty regarding the CRA evaluation process due to its excessive length and complex evaluation methodology, which contains new benchmarks and formulas that would take extensive time for banks, the public, and examiners to fully understand and apply.

3. **The FDIC's proposed revisions to supplementary leverage ratio and TLAC (total loss- absorbing capacity) requirements for large banking organizations appear aimed at strengthening systemic resilience, but they could also influence how these institutions manage capital and pursue strategic transactions.**

How is the agency thinking about calibrating these requirements so that they mitigate systemic risk without unintentionally discouraging mergers, acquisitions, or other consolidation activity that could enhance competitiveness of the banking system?

Response:

The FDIC, together with the Board of Governors of the Federal Reserve System and Office of the Comptroller of the Currency, finalized revisions to the supplementary

[16] *See* Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, Community Reinvestment Act of 1977; Implementation, 43 Fed. Reg. 47,144 (Oct. 13, 1978).
[17] *Supra* note 14.

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leverage ratio on November 25, 2025.[18] The purpose of the revisions was to help ensureU that the enhanced supplementary leverage ratio standards serve as a backstop to risk-based capital requirements rather than a frequently binding constraint, thus reducing potential disincentives for U.S. global systemically important banks (G-SIBs) and their depository institution subsidiaries to participate in low-risk, low-return activities, such as intermediating in the U.S. Treasury market. The rule did not specifically consider the impact on mergers and acquisitions; however, recalibrating the supplementary leverage ratio to be a backstop would more closely align capital with risk and remove regulatory disincentives from banking organizations engaging in prudent banking activities, including mergers and acquisitions.

In aggregate, the rule is estimated to reduce Tier 1 capital requirements for U.S. G-SIB bank holding companies by less than two percent, so there is no expected impact to systemic risk.

[18] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies, 90 Fed. Reg. 55,248 (Dec. 1, 2025).

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1. **Given that fraud and scams increasingly involve criminals utilizing telecom platforms, social media companies, and encrypted messaging apps, often through international crime rings, do you agree that addressing fraud requires a whole-of-society approach? How should the task force created by H.R.4936, the *TRAPS Act* coordinate across sectors to address the root causes of fraud and scams?**

   Response:

   The FDIC supports efforts to combat fraudulent activities, protect the U.S. financial system, and stop criminal actors from preying on consumers. Collaborative efforts between Federal banking agencies, law enforcement agencies, private-sector trade associations, and financial institutions can help to address these important issues.

   The proposed task force can coordinate by leveraging existing collaborative relationships, programs, and partnerships among financial and non-financial regulatory agencies, as well as supporting collaboration between financial and non-financial regulatory inspector general offices during investigations.

2. **One of the strengths of the *TRAPS Act* is that it focuses on the origination of scams rather than solely on the payment rail used at the end. How might this help policymakers better understand where scams start and develop solutions that address the problem at its source?**

   Response:

   According to a 2024 report released by the Association of Certified Fraud Examiners, "[e]arly detection of frauds is critical to limiting the amount of damage they cause the victim...."[19] Proper root-cause analysis of payment scams can create a similar risk-mitigating effect, as earlier threat prevention and disruption can improve vulnerability remediation and support loss prevention.

   The FDIC is monitoring legal changes in multiple countries and international jurisdictions that are working to address these concerns. These efforts are having profound and immediate positive impacts in addressing the root causes of fraud and scams. As an example, Australia has made inroads into its fraud efforts by incorporating real-time intelligence-sharing networks among major banks, industry-wide platforms for insurers, and cross-sector partnerships using data analytics and artificial intelligence to detect and block scams.

3. **Multiple regulators have pointed out that scams are being funded and run**

[19] Association of Certified Fraud Examiners, *Occupational Fraud 2024: A Report to the Nations* (2024).

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through transnational criminal organizations. Do you consider this a national security issue? If so, how should that perspective shape a federal response?

Response:

The FDIC is monitoring a number of common fraud vectors that are coordinated through organized criminal activities, including check fraud, authorized push payment fraud, business email compromise schemes, account takeovers, and ATM "jackpotting". These organized criminal enterprises often have some international components. While the FDIC defers to the appropriate interagency colleagues for national security assessments, we note the losses to individual consumers and businesses cost billions of dollars annually, and these funds are often expatriated outside the U.S. to further fund criminal activities, nation state activities, and potentially terrorism.

On June 16, 2025, the FDIC joined the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency in a request for information (RFI) seeking input from the public on action we can take collectively or independently to assist consumers, businesses, and financial institutions in mitigating check, automated clearing house (ACH), wire, and instant payments fraud.[20] The agencies received over 250 comments in response to the RFI and are working collaboratively to implement action plans for fraud education and mitigation.

[20] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Request for Information on Potential Actions to Address Payments Fraud, 90 Fed. Reg. 26,293 (June 20, 2025).

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From Rep. Downing

1. **On October 7th, the FDIC and OCC issued a joint notice of proposed rulemaking to define "unsafe or unsound practice" and to establish a minimum criteria that must be met for the agencies to issue matters requiring attention (MRAs) to supervised banks.**

   Can you elaborate for the Committee on how this rulemaking intends to refocus your agencies' attention on fundamental, material financial risks?

   Response:

   Reforming supervision has been one of the FDIC's top priorities over the past year. A key piece of this effort is the proposed rule that would define "unsafe or unsound practice" for purposes of Section 8 of the Federal Deposit Insurance Act (FDI Act)[21] and establish a new definition and process for issuing matters requiring attention (MRAs).[22] This rulemaking would focus the banking agencies' key supervisory tools on material financial risks, the types of risks most relevant to a bank's safety and soundness. More specifically, an unsafe or unsound practice would be defined as "a practice, act, or failure to act, alone or together with one or more other practices, acts, or failures to act, that is contrary to generally accepted standards of prudent operation, and either if continued, is likely to materially harm the financial condition of the institution; or present a material risk of loss to the Deposit Insurance Fund; or has already materially harmed the financial condition of the institution." Additionally, under the proposal, the FDIC would only issue an MRA for a practice, act, or failure to act that (1) could reasonably be expected to become an unsafe or unsound practice (as defined under the proposed regulation) under current or reasonably foreseeable conditions, or (2) is an actual violation of a banking or banking-related law or regulation. Other supervisory criticisms that do not rise to an unsafe or unsound practice or an MRA would generally not be binding on an institution, thus generally limiting binding recommendations to those that present material financial risk to the institution.

   What other steps are you considering to bolster the supervisory toolkits at your respective agencies?

   Response:

   In addition to the rulemaking on unsafe or unsound practices, the FDIC is also working with the other members of the Federal Financial Institutions Examination Council (FFIEC) to review the Uniform Financial Institutions Rating System, more commonly known as the CAMELS rating system. This review is oriented toward refocusing the CAMELS rating

[21] 12 U.S.C. § 1818.
[22] Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Unsafe or Unsound Practices, Matters Requiring Attention, 90 Fed. Reg. 48,835 (Oct. 30, 2025).

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system on material financial risks, including a reevaluation of the definitions of the component ratings. The FDIC is actively working with other FFIEC members to reevaluate the ratings definitions, with a goal to emphasize core financial risks while shifting away from an overemphasis on process-related issues that have little bearing on financial condition or solvency.

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Regulatory Independence

1. **For all witnesses, earlier this year, President Trump issued an executive order requiring your agencies submit all proposed rules and your agency budget to the White House for review.**
    a. **Have your agencies complied with all aspects of this executive order? If so, provide a detailed description of what steps you have taken to address the executive order, including providing a list of each document your agency has sent to the White House for review.**

    Response:

    Executive Order 14215, "Ensuring Accountability for All Agencies,"[23] provides that independent agencies "shall submit for review all proposed and final significant regulatory actions to the Office of Information and Regulatory Affairs (OIRA) within the Executive Office of the President before publication in the Federal Register." In addition, Section 4 of Executive Order 14219, "Ensuring Lawful Governance and Implementing the President's 'Department of Government Efficiency' Deregulatory Initiative,"[24] provides that "[a]gencies shall continue to follow the processes set out in Executive Order 12866[25] for submitting regulations for review by OIRA."

    The FDIC submits information about proposed and final rules to OIRA for regulatory review in accordance with Executive Orders 12866 and 14215.

    b. **The Executive Order contemplates interagency review of proposed rules sent to the White House for review. Which Departments or agencies have provided feedback on any of your proposed rules?**

    Response:

    All questions on the specifics of the interagency review process should be directed to the Office of Management and Budget.

    c. **Under what Federal law are you required to submit such rules and budget to the White House for review?**

    Response:

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[23] Executive Order No. 14215, "Ensuring Accountability for All Agencies" (February 18, 2025).
[24] Executive Order No. 14219, "Ensuring Lawful Governance and Implementing the President's 'Department of Government Efficiency' Deregulatory Initiative" (February 19, 2025).
[25] Executive Order No. 12866, "Regulatory Planning and Review" (October 4, 1993)

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Executive Order 12866 provides an opportunity for interagency feedback and economic analysis consistent with the guiding principles utilized by other Federal agencies.

Section 17 of the Federal Deposit Insurance Act (FDI Act) requires the FDIC to submit annual reports on the Deposit Insurance Fund, financial information, and financial operating plans and forecasts to the President, the Secretary of the Treasury, or the Director of the Office of Management and Budget.[26]

d. Is it a violation of the Administrative Procedure Act or any other Federal law to allow the White House or other Federal Departments or agencies a chance to provide feedback on your proposed or final rules before or after the public comment period of any regulation?

Response:

No. Such consultations are permitted interagency deliberations. For rules that are deemed significant, OIRA shares a draft of the rule with other agencies and the Executive Office of the President as part of the government-wide regulatory review process.

e. Do your agencies record any feedback you receive from the White House or other Departments or agencies alongside any other comment you receive from the public on rulemakings? If so, please provide a list of such records and where the public may review them, and if not, please explain why you don't make record of that.

Response:

No. Comments received from OIRA are part of the FDIC's deliberative and predecisional rulemaking process and, as such, these comments are not public and are not posted for public review.

2. For all witnesses, what feedback has the White House or other Federal Departments or agencies given you with respect to your agency's budget, priorities, staffing, or other aspects of your operations?

Response:

[26] 12 U.S.C. § 1827

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Any feedback the FDIC received with respect to its budget priorities, staffing, or operations is part of a deliberative and predecisional process.

3. **For all witnesses, please provide a list of any time officials from the so-called "Department of Government Efficiency" (DOGE) visited your agencies.**

Response:

DOGE officials visited the FDIC in April 2025.

4. **For all witnesses, did your agency provide access to DOGE to any of your data and information systems? If so, please describe what access was provided, and what protocols were followed.**

Response:

Representatives of DOGE arrived at the FDIC in April 2025. The FDIC designated these representatives as Non-Employees with Access (NEWA). This is the typical designation assigned to detailees from other agencies. The NEWA designation allows access to the FDIC's IT network, email, Intranet, and Microsoft Office productivity tools. Written approvals to access specific systems were provided by the FDIC Chief Operating Officer pursuant to an Interagency Agreement signed by the FDIC General Counsel.

The table below lists the data and systems to which DOGE personnel were granted access.

System	Data
New Financial Environment Purchase Order Module	Purchase Order Financial Information
Corporate Human Resources Information System	Human Resources Data
Automated Procurement System	Procurement Related Documentation/ Workflow
Consolidated Document Information System – Contract Electronic Filing	Contract Writing and Acquisition Documentation
Monster Talent Acquisition System	Recruiting and Onboarding Data

The DOGE representatives did not have access to (1) confidential supervisory or investigative information, (2) any system related to the Deposit Insurance Fund, (3) any system or data used in the resolution of failed banks, or (4) any system or data used to determine deposit insurance coverage.

All DOGE representatives completed the FDIC's required onboarding processes. All

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government employees are subject to initial background checks and vetting, including the necessary background investigation for employment processed at the Defense Counterintelligence and Security Agency (DCSA). The FDIC also applied its existing processes and procedures for granting access to specific systems for which the DOGE representatives were granted access. As part of their onboarding, the DOGE representatives were required to review the following FDIC policies and training:

- FDIC Directive 1360.09, *Protecting Information,*
- FDIC Directive 1360.01, *Information Security Program*,
- FDIC Directive 1300.04, *Information Technology Acceptable Use*, and
- FDIC Cybersecurity and Privacy Awareness (online training).

All NEWA accounts associated with the DOGE representatives were disabled following their formal separation from the FDIC. In addition, all FDIC furnished equipment provided to the DOGE representatives was returned to the FDIC on or before July 24, 2025.

Bank Regulation

5. **Vice Chair Bowman, Comptroller Gould, Chair Hill, research from the Fed showed that the temporary supplementary leverage ratio, or SLR, exemptions made during the pandemic had a minimal impact on supporting market making in the Treasury market. While there is broad support to take steps to improve Treasury market resilience, your agencies reduced leverage requirements for our largest banks over the objections of community banks and other experts. In the final rule, did regulators stipulate that megabanks must buy more Treasury securities or otherwise support Treasury market liquidity to be subject to the reduced leverage ratio?**

   Response:

   The purpose of the revisions was to help ensure that the enhanced supplementary leverage ratio standards serve as a backstop to risk-based capital requirements rather than a frequently binding constraint, thus reducing potential disincentives for U.S. global systemically important banks (G-SIBs) and their depository institution subsidiaries to participate in low-risk, low-return activities, such as intermediating in the U.S. Treasury and repo markets. The rule does not require affected banking organizations to engage in any specific activity.[27]

[27] *See* Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository

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The weighted average tier 1 leverage ratio for the eight U.S. G-SIB bank holding companies as of the third quarter of 2025 is 6.9 percent, which compares to 8.9 percent as of the first quarter of 2016 and 5.4 percent as of the first quarter of 2008. The weighted average tier 1 leverage ratio for the major depository institution subsidiaries of the eight U.S. G-SIBs as of the third quarter of 2025 is 8.1 percent, which compares to 9.0 percent as of the first quarter of 2016 and 6.2 percent as of the first quarter of 2008. The decline in tier 1 leverage ratios since 2016 is largely the result of significant increases in U.S. G-SIB deposits at the Federal Reserve and holdings of U.S. Treasury securities, both of which are low-risk assets.

8. **Chair Hill and Chairman Hauptman, following the sudden failure of Silicon Valley Bank and it initially seemed uninsured depositors would not have access to all their funds, small businesses across the country panicked and some of them pulled their money out of community financial institutions and move their funds to the megabanks. The FDIC later issued a report in May 2023 on deposit insurance reforms, with a recommendation to expand deposit insurance to cover business payment accounts as the most sensible option. This is an area that has broad bipartisan support, with Vice President Vance, Senators Hagerty and Alsobrooks, and I introduced a bill to expand deposit insurance. Even House Republicans posted several pieces of legislation at a recent hearing that borrowed key provisions from my bill, which received extensive technical feedback from FDIC and NCUA career staff when we developed it. Is this an area that this Committee should work together on to ensure community banks and credit unions can continue serving small businesses who have accounts larger than $250,000?**

Response:

The FDIC welcomes the opportunity to provide technical feedback on any proposed legislation as Congress considers possible changes to the deposit insurance limit.

9. **Chair Hill, should this Committee advance bipartisan legislation to prevent JPMorgan or another megabank from acquiring a failing bank like First Republic Bank if there are regional or other smaller banks willing to buy it? Wouldn't this help ensure we have a diverse market structure with small, medium, and large banks, and that the largest banks don't always win the bid for a failing bank?**

Response:

This is an important topic that is worthwhile for Congress to consider, and the FDIC is happy to engage with the Committee as it considers reforms to the FDI Act or other statutes.

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10. Chair Hill, what other steps can the FDIC take to ensure we have a competitive banking system, and not one that increasingly is dominated by our largest banks?

Response:

Over the past year, the FDIC has made significant progress revising our supervisory programs and regulations to promote a diverse banking sector where banks of many sizes and business models can remain competitive. As I noted at the hearing, two of the biggest challenges that small banks face are the cost of compliance and technology, and many of the steps we have taken or are planning to take are intended to mitigate those challenges. For example, we have implemented or are engaged in implementing changes to reorient our supervisory focus towards core, material financial risks, and away from process and documentation, among other reforms. These changes are largely targeted at community bank supervision and seek to streamline the examination process, modernize the CAMELS ratings system and standards for enforcement actions, and ensure that supervisory appeals are fair and transparent. We also adopted new examination procedures related to the Bank Secrecy Act (BSA) for low-complexity banks and are working on broader reforms to the BSA program.

11. Vice Chair Bowman, Comptroller Gould, Chair Hill, what flaws in our banking regulatory regime did the 2023 regional bank crisis expose? What changes should Congress and regulators consider to address those flaws?

Response:

The 2023 bank failures left us with many lessons to consider for the future. One example is the importance of focusing bank supervision more on fundamental financial risks and less on process. The failure of Silicon Valley Bank illustrates the issue, where most of the outstanding supervisory criticisms when the bank failed were unrelated to core financial risks, and the one criticism related to interest rate risk was focused on the bank's modeling, rather than the hole in the bank's balance sheet.

Another important lesson is the importance of contingency funding and discount window readiness, and the value in incorporating discount window capacity into standardized liquidity requirements. Finally, the FDIC is incorporating a number of lessons into our resolution planning and preparedness, including the importance of being operationally prepared to market a failed institution with potentially very limited advanced notice.

Bank-Fintech Partnerships

12. Chair Hill, community banks rely on partnerships with fintech and technology

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partners to remain competitive and meet customer expectations. Regulators issued a Request for Information in 2024 to better understand bank-fintech arrangements. Since then, there has been little visible progress toward coordinated guidance, clear supervisory expectations, or measurable milestones. Additional steps would be helpful to promote responsible innovation and competition while guarding against bad outcomes for consumers, as we saw recently with the Synapse bankruptcy where tens of thousands of customers had their funds frozen at various fintech apps for months and months that were partnering with banks. Does the FDIC plan to finalize its proposed rule on deposit insurance recordkeeping to ensure customer funds are better accounted for than what we saw with Synapse?

Response:

The FDIC continues to consider next steps on the proposal.

13. **Chair Hill, community banks report uncertainty and inconsistent expectations across regulators when examining fintech partnerships. What steps are being taken to update examination guidelines across agencies to ensure clear and consistent expectations for community banks?**

Response:

The FDIC supports responsible innovation and supports banks in pursuing third-party arrangements in a manner consistent with safe and sound practices and in compliance with applicable laws and regulations. Fintech and other third-party partnerships can help banks increase revenue, raise deposits, expand geographic reach, or achieve other strategic objectives, including by leveraging new technology or offering innovative products and services. There are a wide range of fintech relationships with varying levels of risk and complexity. The FDIC is taking steps to update all examination guidelines to ensure our focus is on prioritizing material financial risks; as such, our focus should be on prioritizing material financial risks posed by fintech relationships. The FDIC continues to evaluate whether additional clarity regarding fintech and other third-party partnerships is warranted.

14. **Vice Chair Bowman, Chair Hill, Comptroller Gould, do the agencies have any timelines or defined milestones for issuing guidance or an updated framework for third-party and fintech partnerships? What priorities do you have for such work?**

Response:

Third-party and fintech partnerships are critical for banks, particularly community banks that may lack the resources to develop and deploy new technologies. The FDIC is

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evaluating options to reduce unnecessary barriers to better tailor and risk-focus supervisory expectations, which includes reevaluating the 2023 Interagency Guidance on Third-Party Relationships[30] and Third-Party Risk Management, A Guide for Community Banks.[31] Providing greater clarity and consistency to support safe, sound, and innovative third-party and fintech partnerships remains under consideration.

15. **Chair Hill, some industry groups and standard-setting organizations (e.g. Coalition for Financial Ecosystem Standards (CFES)) have begun developing frameworks to help banks streamline due diligence and oversight of fintech partners with the goal of leveling the playing field. To what extent is the FDIC considering incorporating any of these industry best practices in collaboration with other agencies to promote consistency and reduce examination friction for community bank?**

Response:

Due diligence is an important component of an effective third-party risk management process. The FDIC has been working on a proposal to introduce a public/private standard-setting organization that would establish standards for the due diligence needed to onboard fintech firms. Participation in such an organization would be voluntary for banks as well as for fintech firms. The goal would be to assist community banks with their due diligence when onboarding third parties by providing some assurance to the financial institutions that the third-party provider's technology products and services meet certain minimum standards. While decisions ultimately would be determined by such a standard-setting body and its members, leveraging standards developed by existing organizations could have benefits.

Financial Data

16. **For all witnesses, the Financial Data Transparency Act (FDTA), enacted in December 2022 as part of the National Defense Authorization Act, directs financial regulators, working with the Treasury Department, to establish uniform, non-proprietary data standards that enhance transparency, searchability, and interoperability for both agencies and regulated entities. A joint notice of proposed rulemaking was issued in August 2024, and the statute requires agencies to finalize that joint rule and subsequently adopt agency-specific rules applying those standards to their data collections. Are your agencies on track to meet these statutory requirements, and what challenges, if any, could prevent timely**

[30] Federal Deposit Insurance Corporation, Interagency Guidance on Third-Party Relationships: Risk Management, FIL-29-2023 (June 6, 2023).
[31] Federal Deposit Insurance Corporation, Third-Party Risk Management, A Guide for Community Banks, FIL-19-2024 (May 3, 2024).

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implementation?

Response:

Yes, the FDIC expects to meet the substantive requirements and has, along with the agencies named in the Act and the Commodity Futures Trading Commission (CFTC), issued a proposal for the joint standards.[32] The agencies are in the process of analyzing and responding to comments and developing a final rule establishing joint standards. The FDIC expects to implement those standards through amendments to Call Reports and changes to our IT systems.

17. **For all witnesses, the proposed FDTA standards aim to improve data quality, comparability, and searchability while reducing duplicative reporting requirements. Do the agencies expect to meet the Act's statutory requirements, including issuing a final joint rule and subsequent agency-specific rules? Given that Treasury's GENIUS Act advance notice of proposed rulemaking does not prescribe identifier standards for stablecoin issuers and other market participants, how will agencies ensure that GENIUS reporting requirements are harmonized with FDTA's common identifiers and data standards?**

Response:

Yes. As noted above, the FDIC expects to meet the substantive requirements and has, along with the agencies named in the Act and the CFTC, issued an interagency proposal for the joint standards.[33] The agencies are in the process of analyzing and responding to comments and developing a final rule establishing joint standards. Reporting requirements for purposes of implementing the Genius Act[34] are still being developed. To the extent any joint data collection standards are considered, compatibility with FDTA requirements will be assessed to ensure alignment, as appropriate.

CDFIs and MDIs

18. **Vice Chair Bowman, Chair Hill, Comptroller Gould, what steps have your agencies taken this year to specifically provide support to CDFI and MDI banks you regulate?**

Response:

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[32] See Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Federal Housing Finance Agency, Commodity Futures Trading Commission, Securities and Exchange Commission, Department of the Treasury, Financial Data Transparency Act Joint Data Standards, 89 Fed. Reg. 67,890 (Aug. 22, 2024).
[33] *Id.*
[34] Pub. L. No. 119-27, 139 Stat 419 (2025).

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The FDIC has undertaken a number of actions this year to provide support to the 106 minority depository institutions (MDIs) and 123 Community Development Financial Institutions (CDFIs) we supervise. The FDIC continues to fulfill the five statutory goals established under Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act to preserve and promote MDIs, as well as the FDIC's Board-approved Statement of Policy Regarding Minority Depository Institutions.[35] The agency hosted four regional roundtables to bring together MDI executives with FDIC regional management to discuss supervisory topics of interest to the bankers, and we offered to meet with the Board and management of each FDIC-supervised MDI. The FDIC continued to offer technical assistance to institutions on demand, and in 2025 we completed 125 instances of technical assistance to MDIs. We also provide technical assistance to *de novo* organizing groups and existing institutions seeking an MDI designation.

In 2025, the FDIC designated five new MDIs, including two *de novo* institutions that opened their doors. The FDIC also published two additional conditional approvals for deposit insurance to potential new MDIs, and those organizing groups are currently raising capital.

Additionally, we have continued to offer a variety of outreach and education and training activities. This included activities with mission-driven bankers with the American Bankers Association, Independent Community Bankers of America, Minority Bank Advisory Council, the National Bankers Association, and the Community Development Bankers Association. We also facilitated opportunities for bankers to engage with the Mission Driven Bank Fund, a private fund that invests in FDIC-insured MDIs and CDFI banks.

19. Vice Chair Bowman, Chair Hill, Comptroller Gould, do you have any recommendations for Congress to further support the work that CDFI and MDI banks you regulate play in the communities they serve?

Response:

The FDIC has the tools and resources to support the statutory goals that Congress has established with respect to MDIs.

Diversity, Equity, and Inclusion

20. For all witnesses –
What steps have you taken to promote diversity, equity, and inclusion in the

[35] Federal Deposit Insurance Corporation, Statement of Policy Regarding Minority Depository Institutions, 86 Fed. Reg. 32,728 (June 23, 2021).

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work of your agency?

Response:

Consistent with applicable laws and Executive Orders, the agency promotes merit-based practices while complying with Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank)[36] and Executive Order 14173, Ending Illegal Discrimination and Restoring Merit-Based Opportunity (Executive Order 14173).[37] Key actions include:

- **Reporting** - Submitting an annual report to Congress on agency activities as required under Dodd-Frank.
- **Contracting Analysis** - Collecting and analyzing data on contracting activity, including the participation of minority- and women-owned businesses (MWOBs) in FDIC business opportunities.
- **Assessments** - Reviewing the policies and practices of FDIC-regulated institutions that voluntarily provide self-assessments.

Who is currently running your Office of Minority and Women Inclusion (OMWI)?

Response:

Brian E. Guy is the Director of the FDIC Office of Minority and Women Inclusion.

How many full-time employees are working in your OMWI?

Response:

Three.

What work has your OMWI been performing in 2025?

Response:

During 2025, OMWI performed activities required by law and relevant Executive Orders, including preparing the following:

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[36] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 342, 124 Stat. 1376 (2010)
[37] Executive Order No. 14173, "Ending Illegal Discrimination and Restoring Merit-Based Opportunity" (Jan. 31, 2025).

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- Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act) Report to Congress,[38]
- Dodd-Frank Section 342 Report to Congress,[39]
- Equal Employment Opportunity Commission (EEOC) Management Directive-715 report to EEOC,[40] and
- Disabled Veterans Affirmative Action Program Report and Plan to the Office of Personnel Management (OPM).[41]

Pursuant to Section 342 of Dodd-Frank,[42] OMWI analyzed data on FDIC contracting activity, including participation by MWOBs, and assessed practices of FDIC-supervised institutions that voluntarily provided self-assessments.

In addition, OMWI collected and analyzed workforce data in accordance with EEOC requirements found at 29 C.F.R. 1614.601. OMWI also transitioned the equal employment opportunity (EEO) complaint function to the FDIC's Office of Equal Employment Opportunity and assisted in updating agency policy directives related to EEO.

Does your OMWI play any role in promoting and preserving MDIs?

Response:

The FDIC's Office of Minority and Community Development Banking has overall responsibility for fulfilling the FDIC's statutory goals and Statement of Policy Regarding Minority Depository Institutions[43] across the FDIC. A representative of OMWI participates in the FDIC's MDI Task Force, which is an interdivisional task force that is led by the Office of Minority and Community Development Banking. The task force brings additional resources to support program activities and includes representatives from other FDIC divisions and offices that participate in supporting the FDIC's goals with respect to mission-driven banks.

Fraud and Scams

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[38] *See* Notification and Federal Employee Antidiscrimination and Retaliation Act, Pub. L. No. 107-174, §203, 116 Stat. 566 (2002).
[39] *See supra* note 27.
[40] Equal Employment Opportunity Commission, Management Directive 715, EEO MD-715 (Oct. 1, 2003).
[41] *See* U.S. Office of Personnel Management Memorandum, Agency Disabled Veterans Affirmative Action Program (DVAAP) Annual Reporting.
[42] *Supra* note 36.
[43] *Supra* note 35.

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21. To all witnesses, fraud and scams have become a major crime problem in the U.S. with individual and business victims from all walks of life, regardless of location, ethnicity, gender, age, size, or income. Indeed, payment fraud and scams are on the rise, and it is happening through a variety of channels, including check fraud or the use of AI to trick consumers to share sensitive account information or large amounts of money through payment apps.

a. Internal Activity: What are some of the actions that your agencies are undertaking individually or collectively to improve capacity internally to address this growing fraud and scams threat?

Response:

The FDIC's approach to addressing these risks involves staff and consumer education, industry supervision and outreach, fraud intelligence, and industry data collection.

The FDIC has highlighted risks associated with different fraud vectors through regular internal and external communications. For example, the FDIC highlighted the risk of check fraud in an article titled, "Beware of Fake Checks,"[44] and highlighted check washing scams in an article entitled, "Older Adults Helping Relatives Through Financial Support."[45]

FDIC staff have presented fraud information at numerous industry seminars and conferences over the past three years. The FDIC participates in fraud intelligence sharing with the Financial Services Information Sharing and Analysis Center (FS-ISAC). The FDIC has provided briefings to anti-money laundering/countering the financing of terrorism (AML/CFT) and fraud subject matter expert examiners. These briefings have highlighted important fraud topics such as (1) information and typologies associated with fraud schemes; (2) mitigation solutions that consumers, bankers, law enforcement, and examiners may take to detect, prevent, and report on fraud; and (3) collaborative resources that are available between financial institutions, regulators, and law enforcement agencies.

In June 2023, the FDIC established a dedicated email address, check_fraud@fdic.gov, to receive concerns from FDIC-supervised financial institutions regarding efforts to resolve fraudulently altered items. Since establishing this email address, FDIC staff has assisted financial institutions in identifying appropriate contacts at other financial institutions to resolve

[44] Federal Deposit Insurance Corporation, Beware of Fake Checks, *FDIC Consumer News* (August 2019).
[45] Federal Deposit Insurance Corporation, Older Adults Helping Relatives Through Financial Support, *FDIC Consumer News* (December 2023).

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concerns regarding fraudulently altered items. Similarly, consumers can direct complaints to the FDIC Consumer Response Center.

From a collaborative perspective, the FDIC coordinates with other prudential regulators to provide consistent and risk-focused examiner training to federal and state financial institution examiners through the Federal Financial Institutions Examination Council (FFIEC) Examiner Education Office. In 2025, the FFIEC hosted the following training events that covered payment fraud and scams:

- Financial Crimes Seminar (April 2025)
- Information Technology Conference (July 2025)
- Payment Systems Risk Conference (November 2025)

These training events were delivered live virtually but include an on-demand function that provides examiners with just-in-time access for emerging issues.

The FFIEC also provides the following courses that are offered to examination staff during the year:

- Fundamentals of Fraud
- Fraud Investigation Techniques for Examiners
- Fraud Identification Training Self-Study Fraud Investigation Symposium
- Financial Crimes Seminar
- Payments Systems Risk

FDIC examination and supervisory activities incorporate aspects of fraud prevention and detection. The FDIC assesses the adequacy of an FDIC-supervised bank's AML/CFT program relative to the bank's risk profile at each safety and soundness examination. Examiners typically conduct transaction testing using a sample of the bank's accounts to assess compliance with the AML/CFT requirements, including the customer identification program (CIP), customer due diligence, and suspicious activity reporting requirements. To comply with CIP requirements, a bank must collect certain information prior to opening an account. Banks must also have risk-based procedures for verifying the identity of each customer to the extent reasonable and practicable.

The FDIC supervises banks to ensure they operate in compliance with Federal consumer financial protection laws and regulations. Pursuant to supervisory authority, consumer compliance examinations are the primary means by which the FDIC determines whether banks are meeting their responsibilities to comply with consumer protection requirements.

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Additionally, on June 16, 2025, the FDIC and other prudential regulators issued a request for information (RFI) related to payments fraud.[46] The FDIC is working with the other regulators to develop action plans based on the feedback received and implement recommendations. Additional industry data collection efforts include the check fraud mailbox noted above as well as the use of library services and subscriptions.

b. FI Activity: What are some of the best practices that your agencies are seeing from the financial institutions that you oversee, regarding detecting and deterring fraud and scams? What are best practices from the same institutions in protecting their customers before, during, and after becoming a target of such bad acts?

Response:
Below are some of the more common fraud schemes that the FDIC has observed in the past year and actions that financial institutions have taken to detect, deter, and protect their customers:

Check Fraud
Reported incidents of check fraud by financial institutions have increased significantly over the past three years. Mail theft has become a primary source for criminals to acquire checks to use as templates to create counterfeit checks, alter and deposit, or fraudulently sign and deposit. Mail theft-related check fraud losses can affect personal savings, checking accounts, business accounts, and retirement savings. Check fraud losses have a negative impact on financial institutions that cover these losses and require additional operational resources to monitor, detect, prevent, and report incidents. Financial institutions, technology service providers, trade associations, and other key stakeholders have developed and implemented solutions that may be useful in preventing and mitigating check fraud incidents. These include:

- Corporate Governance – Regular monitoring and reporting of check fraud incidents provides data metrics that can be used to identify and allocate necessary resources.
- Customer/Account Monitoring – Programs monitor for drop accounts opened by witting participants, the use of synthetic identifications, and potentially fraudulent business documents.

[46] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Request for Information on Potential Actions to Address Payments Fraud, 90 Fed. Reg. 26,293 (June 20, 2025).

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- Training – Ongoing training for customer-facing staff, fraud investigation units, and operational employees provides better understanding of check fraud examples and model outputs.
- Regulation CC Exceptions – Utilizing the exceptions in the Expedited Funds Availability Act can provide a financial institution with more time to evaluate the validity of a suspicious check.
- ATM / Mobile Deposit / Remote Deposit Capture Limits – Setting deposit limits based on an analysis of typical transaction amounts and developing effective monitoring programs can minimize attempts to deposit large, fraudulently altered items through automated channels.
- Consumer Education – Numerous resources are available to educate customers on check fraud awareness.
- Authentication Technology – Financial institutions are implementing multi-factor authentication technologies for mobile banking applications and in call centers to prevent criminals from initiating account takeovers.
- Positive Pay – This solution provides a financial institution with the ability to verify important payment information such as the amount, check number, and payee name.
- Behavior-Based Detection – This technology analyzes historical check-based activity on an account and determines the potential for fraud.
- Automated Check Validation – This technology utilizes artificial intelligence and machine learning to create a statistical representation of the account's check writing habits and styles.
- Dark Web Monitoring – This solution provides immediate information regarding the potential exposure of check images, account holder information, and personal information being sold online.
- Public-Private Information Sharing – Several resources are available to financial institutions, including consortium data, education and communication materials from banking trade associations, check validation systems, and Federal banking agency contacts.
- Suspicious Activity Reports (SAR) – Accurate and thorough SAR information can assist law enforcement with tracking money mules, identifying crime rings in a particular geographic location, and recognizing common fraud vectors.

Authorized Push Payment (APP) Fraud
Incidents of APP fraud are frequently relationship-based scams with elements of social engineering, high-pressure response tactics, deepfakes, and other methods focused on inducing a victim to quickly transfer funds. These schemes often involve investment opportunities, romantic relationships, employment opportunities, and impersonations. While financial institutions

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generally are not directly targeted, victims of these frauds are customers of the institution and will use various means to transfer monies to the criminal actor via wire transfer, cash withdrawal, or ACH payment. Financial institutions are implementing some controls to address these fraud schemes but must weigh risks appropriately to prevent customers from accessing their funds. Financial institutions' best practices include:

- Educating customers and encouraging reporting incidents to law enforcement;
- Training staff to identify unusual customer behavior;
- Accurately identifying the type of fraud and categorizing the scam method;
- Monitoring information received pursuant to customer identification and customer due diligence programs;
- Developing mule account detection programs;
- Assessing institution risk exposure;
- Investing in fraud analytics and detection solutions;
- Gathering and leveraging customer behavioral biometrics data and transaction monitoring data;
- Determining customer types that might be more vulnerable to current fraud schemes;
- Considering costs and benefits of introducing warnings or frictions in payment steps;
- Confirming payee solutions;
- Adopting "trusted advisor" practices allowing the financial institution to contact a person on the account if suspicious activity is identified;
- Establishing mechanisms enabling account holders to verify the identity of the recipient funds transfers, ensuring that transactions are directed to the intended payee; and
- Limiting or delaying high-dollar transactions for 24 hours and conducting a follow-up call with the customer for payments to identified high-risk channels.

Ransomware
Ransomware is malware that encrypts data, rendering the information unreadable, and may also steal a victim's data. The threat actor will then demand a ransom or a "double ransom" via demanding both an initial ransom payment for a decryption key and another ransom payment to not release/sell the stolen data. There are several controls that can be effective in mitigating the impact from a ransomware attack:

- HTTP address filtering,

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- Logging,
- Operating system hardening,
- Multifactor authentication,
- Backup isolation and viability testing,
- Segmenting networks,
- Implementing least privilege,
- Intrusion detection systems / intrusion prevention systems, and
- Preventing unauthorized executables / file integrity monitoring / preventing unauthorized macro executables.

ATM Jackpotting
ATM Jackpotting involves criminal actors accessing ATMs and placing malware software on the system enabling them to illegally dispense cash. The process is often run by sophisticated and organized crime rings operating at both the physical ATM location and in foreign jurisdictions. Financial institutions are implementing the following deterrents to these schemes:

- Re-keying all ATMs with unique access keys,
- Adding an ATM security gate to the front of the machine,
- Encrypting ATM software,
- Installing hood alarms that must be disengaged with a code,
- Utilizing CCTV cameras and license readers,
- Training employees in surveillance awareness,
- Standardizing event responses via:
  - Immediately contacting local law enforcement and the FBI,
  - Preserving all applicable surveillance footage,
  - Closing the ATM lane and treating the area as a crime scene, and
  - Calculating the potential loss.

Business Email Compromise
Business Email Compromise is a scam where cybercriminals impersonate trusted sources via email to trick employees into making fraudulent wire transfers, changing payment details, or sending sensitive data. Financial institutions are implementing the following controls to mitigate these schemes:

- Providing robust employee training;
- Implementing strict transaction verification protocols, such as callbacks for changes, dual controls, and segregation of duties;
- Implementing strong technical controls such as multi-factor authentication, email security, and network monitoring;
- Providing for beneficiary matching to ensure the account name matches the

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designated address;

- Advising customers to limit personal information shared online that might be used to guess a password or answer a security question such as pet names, schools attended, links to family members, or birth dates;
- Advising customers not to click on unsolicited email or text messages asking them to update or verify account information;
- Advising customers to carefully examine the email address, URL, and spelling in any correspondence;
- Advising customers not to open an email attachment from unknown senders;
- Advising customers to setup two-factor (or multi-factor) authentication on any account that allows it;
- Verifying payment and purchase requests in person if possible or by calling the person to ensure it is legitimate; and
- Advising customers to be wary of requestors that are pressing for a quick response.

c. LE Activity: Law enforcement agencies that pursue the bad actors committing fraud and scams state that Bank Secrecy Act (BSA) Data (e.g., suspicious activity reports and currency transaction reports) from the financial institutions that you oversee is essential for clawing back funds or for pursuing the bad actors who commit the crimes. For example, IRS-CI shares that it "…used BSA data to identify $21.1 billion in fraud tied to tax and financial crimes, seize $8.2 billion in assets tied to criminal activity, and obtain $1.4 billion in restitution for crime victims." What additional information or changes to the BSA Data information and collection could further improve your LE partners' efforts to combat fraud, scams, and other financial crime?

Response:

The FDIC is working closely with fellow federal banking agencies, the Financial Crimes Enforcement Network (FinCEN), and the Department of the Treasury on ongoing efforts to modernize the BSA regulatory and supervisory regime to focus on national security priorities and highest risk areas while explicitly permitting financial institutions to de-prioritize lower risks. The BSA modernization process will provide an opportunity for the public and law enforcement to suggest additional changes to the BSA regulatory and supervisory regime, including BSA data information sharing and collection, which could benefit law enforcement agencies. The FDIC would welcome their feedback in this process with a particular focus on general information sharing and generating highly useful information for law

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enforcement and national security agencies in priority areas defined by Treasury.

22. For all witnesses, as it relates to fraud and scams (and financial crime, in general), how might financial institutions better share data to assist in combatting attempted or successful fraud schemes and scams? For example, are there proposed improvements to the 314(b) process that would be helpful to the financial institutions that you oversee? Are there regulatory or statutory changes that would improve data sharing, data pooling, or other means or collaboration?

Response:

Based on the responses to the RFI on fraud, as discussed above, the FDIC is working with the other prudential regulators on actions we can take under the current statutory framework to improve data sharing.

The Section 314(b) process,[47] which is under FinCEN authorities and structure, provides financial institutions with the ability to share information with one another, under a safe harbor that offers protections from liability, in order to better identify and report activities that may involve money laundering or terrorist activities. Participation in information sharing pursuant to Section 314(b) is voluntary, and FinCEN strongly encourages financial institutions to participate. As specified in FinCEN's Section 314(b) Fact Sheet,[48] financial institutions or an association of financial institutions sharing information under the safe harbor created by Section 314(b) may share information relating to activities that a financial institution or association suspects may involve possible terrorist financing or money laundering. This description includes an array of fraudulent and other criminal activities, including fraud against individuals, organizations, or governments; computer fraud and abuse; and other crimes.

Some financial institutions do not participate in the Section 314(b) process and others do not feel comfortable sharing information relating to fraudulent activity, in spite of the guidance in the Fact Sheet.

The Section 314(b) process is also entirely manual, consisting of one institution contacting another institution to share information. The information shared may be invaluable; however, the process for institutions is often slow and cumbersome. Furthermore, there are no expectations on the details, nature, or format of information shared other than the prohibition from discussing any SARs, if they are filed.

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[47] USA PATRIOT Act Section 314(b) (*codified at* 31 U.S.C. § 5318A) permits financial institutions, upon providing notice to the United States Department of the Treasury, to share information with one another in order to identify and report to the federal government activities that may involve money laundering or terrorist activity.
[48] Financial Crimes Enforcement Network, Section 314(b) Fact Sheet (December 2020).

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There are currently no platforms for data pooling or other means for collaboration in this manner. It is possible that statutory and regulatory changes could encourage or require a more comprehensive information-sharing platform, potentially resulting in more timely and insightful information for all parties.

23. For all witnesses, on December 10, 2025, the Wall Street Journal shared that Treasury is circulating among your agencies a draft term sheet that would, "give the Treasury's Financial Crimes Enforcement Network (FinCEN) the ability to veto a finding by another regulator that a bank has infringed on the Bank Secrecy Act. If finalized, it could allow banks in some cases to avoid being penalized by regulators for what the Treasury views as mere technical violations of their anti-money-laundering systems."[49] How would this proposal impact the ability of your agency to conduct its exams or pursue enforcement actions, including for risk and safety and soundness issues?

Response:

The FDIC continues to partner with FinCEN and other Federal banking agencies, along with state regulators, to ensure the U.S. banking sector is effectively protected from AML/CFT risks and related illicit activity and actors. As part of these efforts, we are currently collaborating with FinCEN and our Federal banking agency counterparts on an update of the AML/CFT Program Rule[50] that better promotes law enforcement and national security outcomes while reducing the burden on the public. This more outcomes-focused approach seeks to reorient the AML/CFT regulatory and supervisory regime around the outcomes produced by a financial institution's reasonably designed AML/CFT program—rather than a focus on mere technical compliance with regulatory requirements—and results in banks reallocating resources away from lower-value reporting to higher-value reporting with a high degree of usefulness in line with Treasury's defined AML/CFT priority areas.

The FDIC remains committed to a risk-based approach for examinations of compliance with the BSA and FinCEN's implementing regulations and does not pursue enforcement actions for mere technical violations. Furthermore, the FDIC examination and supervisory guidance emphasize a financial institution's AML/CFT program should be designed for the size, complexity, and risk-profile of that institution. Financial institutions should not be penalized for technical violations that do not impact the AML/CFT program's efficacy, particularly in situations where the bank is providing highly useful information to law

[49] Dylan Tokar, Treasury's Bank Regulation Takeover Has a New Goal: Anti-Money-Laundering Rules, *The Wall Street Journal* (December 10, 2025).
[50] *See* 31 C.F.R. 1020.210 (FinCEN) and 12 C.F.R. 326.8 (FDIC).

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enforcement authorities or national security officials.

24. For all witnesses, the Federal Reserve's FraudClassifier and ScamClassifier models are tools developed to help financial institutions consistently classify and report fraudulent activities. The FraudClassifier model distinguishes between payments initiated by authorized and unauthorized parties, while the ScamClassifier model provides a structured way to categorize specific types of scams based on their root cause, such as a product or service scam versus a relationship-based one. These models use a series of questions and a decision-tree approach to improve fraud detection, mitigation, and educational strategies across the payments industry.

How might this model be helpful in addressing fraud and scams? Could this or another model, if harmonized across regulatory agencies, be helpful in tackling fraud and scams?

Response:

The FDIC works with the other Federal banking agencies to promote the use of systems, processes, and procedures that may assist in addressing fraud. Understanding fraud and scam typologies, terminologies, and methods can be useful to each agency when applied consistently. Given existing interoperability among U.S. financial system participants, harmonizing and standardizing these types of tools and resources across regulatory agencies may enhance industry-wide fraud and scam detection capabilities and mitigate losses.

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1. **Deposit Insurance Emergency Powers: Looking back at the bank failures of 2023, what tools does the FDIC believe it would need – either operationally or through expanded authority – to allow an individual bank to fail while still shoring up confidence in the broader system? Would standing authorities for the FDIC to implement an emergency temporary Transaction Account Guarantee Program have given the FDIC more options in responding to the 2023 bank failures?**

   Response:

   In March 2023, public authorities invoked the systemic risk exception, as authorized by the Federal Deposit Insurance Act (FDI Act), with respect to the resolutions of Silicon Valley Bank and Signature Bank. Specifically, section 13(c)(4)(G) of the FDI Act permits the FDIC to take action or provide assistance to an insured depository institution (IDI) for which the FDIC has been appointed receiver to avoid or mitigate adverse effects on economic conditions or financial stability.[51] This authority is primarily limited to protecting creditors and depositors of the institution(s) that failed.

   In 2008, the FDIC established the Temporary Liquidity Guarantee Program,[52] which provided a term-limited guarantee for newly issued debt of eligible financial institutions, including IDIs (the Debt Guarantee Program), and fully guaranteed certain noninterest-bearing transaction deposit accounts (the Transaction Account Guarantee Program).

   Following the 2008 crisis, Section 1105 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act),[53] authorized the FDIC to establish a widely available program to guarantee the obligations of solvent IDIs or depository institution holding companies during times of severe economic distress, subject to certain limits, including by requiring the approval of Congress.

   During the COVID-19 pandemic in 2020, Congress provided the FDIC with the temporary authority to create a program to guarantee obligations, which was not used, and expanded the FDIC's authority to treat the guarantee of deposits held by IDIs in noninterest-bearing transaction accounts as a debt guarantee program.[54]

   A standing authority for the FDIC to guarantee certain deposits or other obligations of banks across the system would have provided an additional option to respond to the 2023 bank failures. A time-limited guarantee with proper guardrails could serve as a mechanism to address large deposit flows in a stress environment.

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[51] 12 U.S.C. § 1823(c)(4)(G).
[52] Federal Deposit Insurance Corporation, Temporary Liquidity Guarantee Program, 73 Fed. Reg. 72,244 (Nov. 26, 2008).
[53] *Supra* note 36 at § 1105.
[54] Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, § 4008, 134 Stat. 281 (2020).

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2. *GENIUS Act* Implementation:

How are your agencies monitoring and mitigating potential deposit flight from regulated financial institutions like banks and credit unions due to stablecoin adoption (the *GENIUS Act*), and will your agencies ensure stablecoins do not incentivize Americans to pull their money out of community banks or credit unions and out of circulation in our economy?

Response:

Stakeholders have raised concerns about funds flowing from retail or business deposit accounts to payment stablecoin programs, the potential impacts on access to credit, and effects on community banks. The FDIC has a strong interest in the health and vibrancy of community banks, and will continue to closely monitor developments in this area.

How are your agencies approaching rulemaking for the *GENIUS Act*? How will your agencies ensure that tokenized money market funds and stablecoins compete on a level playing field without undermining community banks and credit unions?

Response:

On December 16, 2025, the FDIC Board of Directors approved a notice of proposed rulemaking that would establish a process for applications by FDIC-supervised insured depository institutions that seek FDIC approval to issue payment stablecoins through a subsidiary, in accordance with the GENIUS Act.[55] The FDIC will propose additional rules surrounding the issuance of payment stablecoins by FDIC-approved permitted payment stablecoin issuers soon. All proposed rules will be subject to notice and public comment.

3. Debanking Executive Order: President Donald Trump on August 7, 2025, issued an executive order, "Guaranteeing Fair Banking for All Americans," which directs regulators to remove "reputation risk" considerations, prohibit politicized or religion-based debanking, and reinstate affected clients. The EO instructs the U.S. Small Business Administration (SBA) to notify lenders (e.g., credit unions and banks) within 60 days and require them to reinstate previously impacted clients within 120 days. Many lenders have already begun to receive notices asking them to

[55] Federal Deposit Insurance Corporation, Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions, 90 Fed. Reg. 59,409 (Dec. 19, 2025).

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respond by January 5th, 2026 to the SBA detailing all loans denied for political reasons – with no time limit on how far back in time to analyze. Have your agencies coordinated with SBA in seeking clarification on SBA's requests to lenders? Furthermore, how will your agencies implement the so-called "debanking" executive order? Will your agencies issue similar requests, asking financial institutions to furnish a list of all loans or bank accounts denied for political reasons?

Response:

In accordance with the Executive Order,[56] the FDIC conducted a comprehensive review to identify any politicized or unlawful debanking. We have not announced any next steps as part of this effort.

4. **Interagency Fraud Coordination: As you know, fraud and scams against consumers are growing at an exponential rate. Much of the fraud banks see originates from telecom networks, social media, and digital paid advertisers, and these entities could do more to help prevent scams and fraud. Is there any effort from your agencies to work with the FCC and FTC to increase accountability of these platforms for fraud that originates on their networks? How are financial regulators engaging with those agencies to advance that goal, and are there specific authorities or actions Congress could consider to help drive greater responsibility from those sectors and disrupt criminal activity at the source?**

Response:

There is broad consensus across the U.S. financial system that both the volume and complexity of frauds and scams are experiencing exponential growth. The FDIC recognizes a whole-of-government approach targeting the root causes and various stages/components of the fraud and scam lifecycle is warranted in efforts to protect consumers and financial institutions. We continue to partner closely with fellow Federal banking agencies, state banking regulators, trade associations, and interagency counterparts as warranted to share information/insights and identify potential collaboration opportunities. FDIC staff also attend quarterly interagency complaint meetings, including the Federal Trade Commission (FTC), to engage on trending fraud/complaint issues.

For example, on June 16, 2025, the FDIC joined the Federal Reserve and the Office of the Controller of the Currency in a request for information (RFI) seeking comments from the public on actions the agencies can take collectively or independently to protect consumers, businesses, and financial institutions through mitigating check, automated clearing house

[56] Executive Order No. 14331, "Guaranteeing Fair Banking for All Americans" (Aug. 7, 2025).

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(ACH), wire, and instant payments fraud.[57] RFI questions one through four specifically sought comments on external collaboration, including collaboration with other Federal and state agencies. We received over 265 comments and are working with the other agencies to develop action plans that support a whole-of-government approach to combat payments fraud.

Additionally, when issuing consumer facing publications, the FDIC references applicable FTC and Federal Communications Commission resources. For example, Appendix A to the December 4, 2024, *Interagency Statement on Elder Financial Exploitation*, cites several FTC resources.[58]

[57] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Request for Information on Potential Actions to Address Payments Fraud, 90 Fed. Reg. 26293 (June 20, 2025).
[58] Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, Financial Crimes Enforcement Network, National Credit Union Administration, Office of the Comptroller of the Currency, State Financial Regulators, Interagency Statement on Elder Financial Exploitation (Dec. 4, 2024).

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Meeks

1. **Mr. Hill, as the Acting Chairman of the federal agency responsible for administering the Federal Deposit Insurance Act, what risk do you see to the dual banking system from the 10th Circuit's decision in National Association of Industrial Bankers v. Weiser?**

Response:

Section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980 levels the playing field with respect to interest rates for state-chartered banks as compared to national banks in the same location.[59] While section 525 of the statute allows a state to opt out of this framework, the majority's broad interpretation of the reach of a state's opt-out gives states that opt out the unprecedented power to regulate interest rates for state-chartered banks in other states. This threatens the ability of state-chartered banks to compete effectively with national banks, which may ultimately undermine the strength of the dual-banking system.

[59] 12 U.S.C. § 1831d.

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Casten

Section 10 of the GENIUS Act permits a custodian of a stablecoin issuer's reserves to commingle such reserves in an omnibus account holding "other property of more than 1…customer at a State chartered depository institution, an insured depository institution, national bank, or trust company". Section 10 also provides that "the claim of a person holding payment stablecoins issued by the permitted payment stablecoin issuer shall have priority, on a ratable basis with the claims of other persons holding such payment stablecoins, over the claims of the permitted payment stablecoin issuer and any other holder of claims against the permitted payment stablecoin issuer, with respect to required payment stablecoin reserves."

This seems to suggest that if a bank custodian for a stablecoin issuer's reserves ends up insolvent, the claims of the stablecoin holders will come ahead of the bank depositors, which undermines the FDIC's existing processes. The Federal Deposit Insurance Act (12 USC 1821) outlines that amounts recovered from liquidation or resolution are paid out in the following order: (1) administrative expenses of the receiver; (2) <u>depositors</u>; (3) subordinated debts; then (4) obligations to shareholders. Therefore, under the GENIUS Act, since stablecoin holders are given a "priority" claim, they would be paid out before the average customer who has no affiliation to the issuer and has a deposit account at the same bank.

The GENIUS Act would effectively force the FDIC's Deposit Insurance Fund (DIF) to first cover uninsured stablecoins—even though issuers aren't paying premiums or contributing to the DIF— before the FDIC can make the bank's other customers whole. This ignores lessons learned from the March 2023 bank failures, where Circle revealed that it had $3.3 billion in exposure to Silicon Valley Bank (SVB), which caused the price of USDC to fall as low as 88¢. The USDC depeg event also caused other stablecoins to fall below $1. USDC only recovered to $1 after banking regulators bailed out all uninsured depositors at SVB. The FDIC's $16.2 billion insurance fund losses from the collapse of SVB were then passed on to large banks through special insurance fund assessments.

I kindly request that you answer the following questions separately:

1. **Please provide a detailed analysis of the FDIC's interpretation of Section 10 of the GENIUS Act.**

   <u>Response:</u>

   Section 10 of the GENIUS Act addresses the custody of payment stablecoin reserves and collateral.[60] Section 10(c)(3) provides priority for customer claims regarding

[60] Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. 119-27, § 10, 139 Stat. 419

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Casten

payment stablecoins that themselves are held under custody by a custodian for a customer.[61] This is consistent with the FDIC's and FDI Act's approach to resolving assets under custody where the custodian is an FDIC-insured depository institution (IDI) that has failed. Where an IDI provides custody services, and in the event that the IDI were to fail, the payment stablecoins custodied by a failed IDI would not be considered deposits for federal deposit insurance purposes and would not be treated as belonging to the failed IDI when liquidating the IDI's assets for the benefit of its claimants.

With respect to payment stablecoin reserves maintained by the issuer in the form of a deposit with the failed IDI, Section 10(c)(2)(A) and (C) of the GENIUS Act provide that payment stablecoin reserves in the form of cash on deposit with an IDI are not subject to the GENIUS Act's customer property requirement or prohibitions against commingling that are applicable to other types of payment stablecoin reserve assets.[62] Generally, the FDIC would view deposits of a permitted payment stablecoin issuer that serve as reserves for a payment stablecoin as a general deposit liability of the IDI, eligible for federal deposit insurance and the same preference accorded to any depositors under the FDI Act.[63]

2. **Given the conflicting provisions under the GENIUS Act and the Federal Deposit Insurance Act, can you confirm which customers would be at the front of the line for payment in the event of the failure of bank custodian? Please list the order in which different groups of creditors would be paid out.**

Response:

The GENIUS Act amends the U.S. Bankruptcy Code with respect to permitted payment stablecoin issuer insolvencies.[64] The Act does not amend the FDI Act and its provisions applicable to failed IDIs, including those that hold deposits that serve as reserves of a payment stablecoin. The FDI Act's claims order of priority would apply, with all depositors being "at the front of the line" behind only the administrative expenses of the FDIC as receiver.

3. **Can you confirm that stablecoin issuers holding their reserves at a depository institution will not receive federal deposit insurance benefits? Please also provide citations to the relevant provisions in the GENIUS Act.**

(2025).
[61] *Id.* at § 10(c)(3).
[62] *Id.* at §§ 10(c)(2)A) and (D).
[63] *See* 12 U.S.C. § 1821(d)(11).
[64] *See supra* note 60 at § 11.

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Casten

Response:

Section 4(e)(1) of the GENIUS Act provides that payment stablecoins themselves are not backed by the full faith and credit of the United States, guaranteed by the United States Government, subject to deposit insurance by the FDIC, or subject to share insurance by the NCUA.[65] Deposits at an IDI, however, including deposits of a permitted payment stablecoin issuer that serve as reserves of a payment stablecoin, are eligible for federal deposit insurance under the FDI Act in the event that the IDI holding those deposits fails, just like other deposits.

4. **In its implementation of the GENIUS Act, will the FDIC consider subordinating the claims of all stablecoin deposits to all other deposits in future FDIC resolutions?**

Response:

The priority of depositors in a receivership of a failed IDI is established by the FDI Act,[66] which is not amended by the GENIUS Act. The FDI Act does not give the FDIC authority to subordinate the claims of a class of depositors.

The GENIUS Act also permits stablecoin issuers to invest their reserves in risky assets, such as uninsured bank deposits and money market funds, which have already led to issuers nearly defaulting and could prompt another taxpayer-funded bailout. Circle held $3.3 billion in accounts at Silicon Valley Bank (SVB), which far exceeded the FDIC deposit insurance limit of $250,000. Making stablecoins seem as safe as cash or bank deposits is likely to amplify their risks. In addition, issuers would be incentivized to park all their reserves at too-big-to-fail firms, and this would hurt competition for smaller banks.

1. **In its implementation of the GENIUS Act, will the FDIC commit to imposing a monetary limit on the amount that stablecoin issuers can hold in deposit accounts at depository institutions? Why or why not?**

Response:

The GENIUS Act authorizes the FDIC to issue regulations concerning reserve asset diversification standards applicable to permitted payment stablecoin issuers that the

[65] *Id.* at § 4(e)(1).
[66] *See supra* note 51.

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Casten

FDIC supervises.[67] The FDIC is currently considering how best to implement this authority.

2. **In its implementation of the GENIUS Act, what safeguards will the FDIC include to prevent a future government-funded bailout for stablecoin issuers holding their reserves in uninsured deposits at a failing depository institution?**

Response:

In implementing the GENIUS Act, the FDIC is developing proposed rules to address the safety and soundness of FDIC-supervised permitted payment stablecoin issuers, including capital, liquidity, and reserve requirements.

[67] *Supra* note 60 at § 4.

Questions for the
Record Full Committee
Hearing
"Oversight of Prudential Regulators"
December 2, 2025
From Rep. Williams

1. **Another issue my colleagues and I have concerns with are previous reports earlier this year, alleging that the Administration has looked into ways to influence the FDIC behind the scenes, including through unprecedented involvement by the White House. With the Consumer Financial Protection Bureau being gutted, and the Administration's attempts to fire Democrat board members at the National Credit Union Association and the Federal Reserve, it's evident that the Trump Administration wants to influence our banking regulators with his policy.**

   Have you heard discussions recently in the White House being involved with the rulemaking process? And if not– how does coordinating with the White House and the other Prudential Regulators impact the FDIC's role in supervising more than 4,000 community banks?

   Response:

   The FDIC submits rulemakings to the Office of Information and Regulatory Affairs (OIRA) for regulatory review in accordance with Executive Order 12866. Any questions on OIRA's interagency review process should be directed to the Office of Management and Budget. The Federal banking agencies have a long history of coordinating with other regulators on our rulemakings — through informal working groups, the President's Working Groups, and through participation in the Financial Stability Oversight Council.

2. **Mr. Hill, from your experience, what are the benefits of an FDIC that is independent from the other regulators? And would you commit to take steps to ensure the FDIC is protected from political encroachment?**

   Response:

   The FDIC benefits from coordination and cooperation with other Federal agencies in carrying out its mission, both directly and through interagency councils, such as the Federal Financial Institutions Examination Council and the Financial Stability Oversight Council. At the same time, the FDIC remains committed to carrying out its mission of maintaining confidence and stability in the U.S. banking system.

.....

(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. _____

To index statutory thresholds, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. BARR introduced the following bill; which was referred to the Committee on _____

A BILL

To index statutory thresholds, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This act may be cited as the "Tailoring and Indexing Enhanced Regulations Act of 2025" or the "TIER Act of 2025".

SEC. 2. THRESHOLD ADJUSTMENTS TO ACCOUNT FOR HISTORICAL INCREASES IN CURRENT-DOLLAR UNITED STATES GROSS DOMESTIC PRODUCT.

(a) FEDERAL RESERVE ACT.—The second subsection (s) (relating to assessments) of section 11 of the Federal Reserve Act (12 U.S.C. 248(s)) is amended—

(1) in paragraph (2), by striking "$100,000,000,000" each place that term appears and inserting "$150,000,000,000"; and

(2) in paragraph (3), by striking "between $100,000,000,000 and $250,000,000,000" and inserting "between $150,000,000,000 and $370,000,000,000".

(b) BANK HOLDING COMPANY ACT OF 1956.—Section 4(k)(6)(B)(ii) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)(6)(B)(ii)) is amended, by striking "$10,000,000,000" and inserting "$15,000,000,000".

(c) FINANCIAL STABILITY ACT OF 2010.—The Financial Stability Act of 2010 (12 U.S.C. 5311 et seq.) is amended—

(1) in section 116(a) (12 U.S.C. 5326(a)), by striking "$250,000,000,000" and inserting "$370,000,000,000";

(2) in section 121(a) (12 U.S.C. 5331(a)), by striking "$250,000,000,000" and inserting "$370,000,000,000";

(3) in section 163(b) (12 U.S.C. 5363(b))—

(A) by striking "$250,000,000,000" each place that term appears and inserting "$370,000,000,000"; and

(B) by striking "$10,000,000,000" and inserting "$15,000,000,000";

(4) in section 164 (12 U.S.C. 5364), by striking "$250,000,000,000" and inserting "$370,000,000,000"; and

(5) in section 165 (12 U.S.C. 5365)—

(A) in subsection (a)—

(i) in paragraph (1), by striking "$250,000,000,000" and inserting "$370,000,000,000"; and

(ii) in paragraph (2)(C), by striking "$100,000,000,000" and inserting "$150,000,000,000";

(B) in subsection (h)(2), by striking "$50,000,000,000" each place that term appears and inserting "$75,000,000,000";

(C) in subsection (i)(2)(A), by striking "$250,000,000,000" and inserting "$370,000,000,000"; and

(D) in subsection (j)(1), by striking "$250,000,000,000" and inserting "$370,000,000,000".

(d) ECONOMIC GROWTH, REGULATORY RELIEF, AND CONSUMER PROTECTION ACT.—Section 401(f) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (12 U.S.C. 5365 note) is amended by striking "$250,000,000,000" and inserting "$370,000,000,000".

SEC. 3. PERIODIC ADJUSTMENTS TO THRESHOLDS TO ACCOUNT FOR FUTURE INCREASES IN CURRENT-DOLLAR UNITED STATES GROSS DOMESTIC PRODUCT.

(a) IN GENERAL.—The Financial Stability Act of 2010 (12 U.S.C. 5311 et seq.) is further amended by adding at the end the following:

"SEC. 177. PERIODIC ADJUSTMENTS TO THRESHOLDS TO ACCOUNT FOR INCREASES IN CURRENT-DOLLAR UNITED STATES GROSS DOMESTIC PRODUCT.

"(a) IN GENERAL.—By April 1, 2031, and the 1st day of each subsequent 5-year period, the Board of Governors shall increase the thresholds described in subsection (b) by the ratio, if greater than 1, of the annual value of current-dollar United States gross domestic product, published by the Department of Commerce, for the

calendar year preceding the year in which the adjustment is calculated under this section, to the published annual value of such index for the calendar year preceding April 1, 2026.

"(b) COVERED THRESHOLDS.—The thresholds described in this subsection are the following:

"(1) Each bank holding company or savings and loan holding company total consolidated asset amount in the second subsection (s) (relating to assessments) of section 11 of the Federal Reserve Act.

"(2) Each bank holding company total consolidated asset amount in—

"(A) sections 116(a), 121(a), 163(b), 164, 165(a)(1), 165(h)(2), 165(j)(1) of this Act; and

"(B) section 401(f) of the Economic Growth, Regulatory Relief, and Consumer Protection Act.

"(3) Each financial company total consolidated asset amount in section 165(i)(2)(A) of this Act.

"(c) CURRENCY OF INFORMATION.—The values used in the calculation under subsection (a) shall be, as of the date of the calculation, the values most recently published by the Department of Commerce.

"(d) ROUNDING.—

"(1) If any amount equal to or greater than $100,000,000,000 determined under subsection (a) for any period is not a multiple of $50,000,000,000, the amount shall be rounded up to the nearest $50,000,000,000.

"(2) If any amount less than $100,000,000,000 determined under subsection (a) for any period is not a multiple of $5,000,000,000, the amount shall be rounded up to the nearest $5,000,000,000.

"(e) PUBLICATION.—Not later than April 5 of any calendar year in which an adjustment is required to be calculated under subsection (a), the Board of Governors shall publish in the Federal Register the amounts as so calculated.

"(f) IMPLEMENTATION PERIOD.—Any increase in amounts determined under subsection (a) shall take effect on January 1 of the year immediately succeeding the calendar year in which the increase is required to be calculated under subsection (a).

"SEC. 178. ADJUSTMENTS TO THRESHOLDS ESTABLISHED BY RULE TO ACCOUNT FOR INCREASES IN CURRENT-DOLLAR UNITED STATES GROSS DOMESTIC PRODUCT.

"(a) AGENCY REVIEW.—Not later than June 30, 2026, and the 1st day of each subsequent 5-year period,

the Board of Governors, the Comptroller of the Currency, and the Corporation shall, to the extent applicable, review—

"(1) any regulation—

"(A) implementing section 165 of this Act; or

"(B) making specific cross-reference to any regulation of the Board of Governors implementing section 165 of this Act; and

"(2) any asset threshold or other quantitative threshold in such regulations implementing section 165 of this Act, or in such regulations making specific cross-reference to any regulation of the Board of Governors implementing section 165 of this Act, the amount of which is not prescribed by statute.

"(b) MODIFICATIONS REQUIRED.—The Board of Governors, the Comptroller of the Currency, and the Corporation shall modify any such thresholds identified by each review conducted under subsection (a) by the ratio, if greater than 1, of the annual value of current-dollar United States gross domestic product, published by the Department of Commerce, for the calendar year preceding the year in which the modification is calculated under this section, to the published annual value of such index for the calendar year preceding the effective date of such

threshold, as each respective agency shall determine as appropriate for such regulations. In making such determination, the Board of Governors, the Comptroller of the Currency, and the Corporation shall—

"(1) use the values for current-dollar United States gross domestic product most recently published by the Department of Commerce as of the date of commencement of the review;

"(2) seek to establish, to the extent feasible, uniform thresholds for use by each such agency, taking into account the entities regulated by each such agency and the purposes for which such threshold was established; and

"(3) seek to adjust such thresholds, to the extent feasible, with rounding consistent with section 177(d) of this Act.

"(c) REPORT.—Upon conclusion of each review required under subsection (a), each of the Board of Governors, the Comptroller of the Currency, and the Corporation shall transmit a report to Congress containing a description of any modification of any regulation such agency made pursuant to subsection (b).".

(b) CLERICAL AMENDMENT.—The table of contents in section 1(b) of the Dodd-Frank Wall Street Reform and

Consumer Protection Act is amended by inserting after the item relating to section 176 the following:

"Sec. 177 Periodic adjustments to thresholds to account for increases in current-dollar United States gross domestic product.

"Sec. 178. Adjustments to thresholds established by rule to account for increases in current-dollar United States gross domestic product.".

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To require annual reporting on interactions between Federal banking supervisory agencies and global financial regulatory or supervisory forums, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. LOUDERMILK introduced the following bill; which was referred to the Committee on _____

A BILL

To require annual reporting on interactions between Federal banking supervisory agencies and global financial regulatory or supervisory forums, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "American Financial Institution Regulatory Sovereignty and Transparency Act of 2025" or the "American FIRST Act of 2025".

SEC. 2. ANNUAL REPORTING ON INTERACTIONS BETWEEN FEDERAL BANKING SUPERVISORY AGENCIES AND GLOBAL FINANCIAL REGULATORY OR SUPERVISORY FORUMS.

(a) BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.—The seventh undesignated paragraph of section 10 of the Federal Reserve Act (12 U.S.C. 247) is amended—

(1) by striking "The Board" and inserting the following:

"(7) ANNUAL REPORT.—

"(A) IN GENERAL.—The Board";

(2) by striking the second sentence; and

(3) by adding at the end the following:

"(B) INTERACTIONS WITH GLOBAL FINANCIAL REGULATORY OR SUPERVISORY FORUMS.—The report required under subparagraph (A) shall include a description of the Board's interactions with global financial regulatory or supervisory forums, including—

"(i) a list of the global financial regulatory or supervisory forums in which the Board maintained membership during the period covered by the report; and

"(ii) for each such global financial regulatory or supervisory forum in the list provided pursuant to clause (i)—

"(I) a description of the general purposes of the global financial regulatory or supervisory forum, including a list of the current members and observers of the global financial regulatory or supervisory forum;

"(II) a discussion of how the general purposes of the global financial regulatory or supervisory forum align with the purposes of this Act and the other Acts that the Board implements;

"(III) an identification of the sources that provided a material amount of funding for the operations of the global financial regulatory or supervisory forum during the period covered by the report;

"(IV) a description of the organization the Board maintained during the period covered by the report to conduct interactions with the global

financial regulatory or supervisory forum, including an organizational chart and an identification of the official staff of the Board with oversight responsibility for interactions with the global financial regulatory or supervisory forum;

"(V) a discussion of the financial regulatory or supervisory standard-setting issues under discussion at the global financial regulatory or supervisory forum during the period covered by the report;

"(VI) a description of the positions taken by representatives of the Board at the global financial regulatory or supervisory forum during the period covered by the report, including the rationale, objectives, and potential impacts of such positions;

"(VII) a summary of the meetings attended by representatives of the Board at the global financial regulatory or supervisory forum during the period covered by the report, including

a discussion of the key outcomes from such meetings;

"(VIII) the text of any final policies, standards, or recommendations adopted by the global financial supervisory or regulatory forum during the period covered by the report, including any implementing material, annex, appendix, side letter, or similar document entered into contemporaneously or in conjunction with the underlying policy, standard, or recommendation, or an identification of a publicly available source for the text of such policy, standard, recommendation, or implementing material;

"(IX) a description of any amendments to Federal statutes, regulations of the Board, guidance of the Board, or changes to the Board's supervisory practices the Board anticipates will be necessary to implement any final policies, standards, or recommendations adopted by the global financial supervisory or regulatory

forum during the period covered by the report;

"(X) a discussion of rules proposed, rules under consideration, final rules adopted, guidance proposed, guidance under consideration, final guidance adopted, or any other similar actions taken by the Board during the period covered by the report to implement agreements of the global financial regulatory or supervisory forum, including an economic impact analysis and a justification for why the expected costs of implementing actions are at least offset by the expected benefits related to economic, national security, financial stability, or other national interests; and

"(XI) such other information relating to interactions with the global financial regulatory or supervisory forum during the period covered by the report separately requested in writing by the Committee on Banking, Housing, and Urban Affairs of the

Senate or the Committee on Financial Services of the House of Representatives.

"(C) GLOBAL FINANCIAL REGULATORY OR SUPERVISORY FORUM.—

"(i) IN GENERAL.—In this paragraph, the term 'global financial regulatory or supervisory forum' means any association or union of nations through or by which two or more foreign authorities engage in some aspect of their conduct of international affairs regarding financial supervision and regulation, including—

"(I) the Bank for International Settlements;

"(II) the Basel Committee on Banking Supervision;

"(III) the Financial Stability Board;

"(IV) the International Association of Insurance Supervisors; and

"(V) the Network of Central Banks and Supervisors for Greening the Financial System.

"(ii) EXCEPTION.—The term 'global financial regulatory or supervisory forum' does not include—

"(I) international financial institutions, as defined in section 1701(c)(2) of the International Financial Institutions Act (22 U.S.C. 262r(c)(2)); or

"(II) any international organization with respect to which the Board participates pursuant to a treaty to which the United States is a party.".

(b) OFFICE OF THE COMPTROLLER OF THE CURRENCY.—

(1) IN GENERAL.—The second section 333 of the Revised Statutes of the United States (12 U.S.C. 14; relating to an annual report) is amended to read as follows:

"SEC. 333. REPORT OF COMPTROLLER.

"(a) IN GENERAL.—The Comptroller of the Currency shall make an annual report to Congress.

"(b) INTERACTIONS WITH GLOBAL FINANCIAL REGULATORY OR SUPERVISORY FORUMS.—The report required under subsection (a) shall include a description of

the Comptroller's interactions with global financial regulatory or supervisory forums, including—

"(1) a list of the global financial regulatory or supervisory forums in which the Comptroller maintained membership during the period covered by the report; and

"(2) for each such global financial regulatory or supervisory forum in the list provided pursuant to paragraph (1)—

"(A) a description of the general purposes of the global financial regulatory or supervisory forum, including a list of the current members and observers of the global financial regulatory or supervisory forum;

"(B) a discussion of how the general purposes of the global financial regulatory or supervisory forum align with the purposes of this chapter, title LXII, and the other Acts that the Comptroller implements;

"(C) an identification of the sources that provided a material amount of funding for the operations of the global financial regulatory or supervisory forum during the period covered by the report;

"(D) a description of the organization the Comptroller maintained during the period covered by the report to conduct interactions with the global financial regulatory or supervisory forum, including an organizational chart and an identification of the official staff of the Office of the Comptroller of the Currency with oversight responsibility for interactions with the global financial regulatory or supervisory forum;

"(E) a discussion of the financial regulatory or supervisory standard-setting issues under discussion at the global financial regulatory or supervisory forum during the period covered by the report;

"(F) a description of the positions taken by representatives of the Comptroller at the global financial regulatory or supervisory forum during the period covered by the report, including the rationale, objectives, and potential impacts of such positions;

"(G) a summary of the meetings attended by representatives of the Comptroller at the global financial regulatory or supervisory forum during the period covered by the report, includ-

ing a discussion of the key outcomes from such meetings;

"(H) the text of any final policies, standards, or recommendations adopted by the global financial supervisory or regulatory forum during the period covered by the report, including any implementing material, annex, appendix, side letter, or similar document entered into contemporaneously or in conjunction with the underlying policy, standard, or recommendation, or an identification of a publicly available source for the text of such policy, standard, recommendation, or implementing material;

"(I) a description of any amendments to Federal statutes, regulations of the Comptroller, guidance of the Comptroller, or changes to the Comptroller's supervisory practices the Comptroller anticipates will be necessary to implement any final policies, standards, or recommendations adopted by the global financial supervisory or regulatory forum during the period covered by the report;

"(J) a discussion of rules proposed, rules under consideration, final rules adopted, guidance proposed, guidance under consideration,

final guidance adopted, or any other similar actions taken by the Comptroller during the period covered by the report to implement agreements of the global financial regulatory or supervisory forum, including an economic impact analysis and a justification for why the expected costs of implementing actions are at least offset by the expected benefits related to economic, national security, financial stability, or other national interests; and

"(K) such other information relating to interactions with the global financial regulatory or supervisory forum during the period covered by the report separately requested in writing by the Committee on Banking, Housing, and Urban Affairs of the Senate or the Committee on Financial Services of the House of Representatives.

"(c) GLOBAL FINANCIAL REGULATORY OR SUPERVISORY FORUM.—

"(1) IN GENERAL.—In this section, the term 'global financial regulatory or supervisory forum' means any association or union of nations through or by which two or more foreign authorities engage in some aspect of their conduct of international af-

fairs regarding financial supervision and regulation, including—

"(A) the Bank for International Settlements;

"(B) the Basel Committee on Banking Supervision;

"(C) the Financial Stability Board;

"(D) the International Association of Insurance Supervisors; and

"(E) the Network of Central Banks and Supervisors for Greening the Financial System.

"(2) EXCEPTION.—The term 'global financial regulatory or supervisory forum' does not include—

"(A) international financial institutions, as defined in section 1701(c)(2) of the International Financial Institutions Act (22 U.S.C. 262r(c)(2)); or

"(B) any international organization with respect to which the Comptroller participates pursuant to a treaty to which the United States is a party.".

(2) TECHNICAL CORRECTION.—Chapter nine of title VII of the Revised Statutes of the United States is amended—

(A) by redesignating the first section 333 (12 U.S.C. 14a; relating to data standards) as section 332;

(B) by moving such section so as to appear after section 331; and

(C) in the table of contents of such chapter, by amending the item relating to section 332 to read as follows:

"332. DATA STANDARDS; OPEN DATA PUBLICATION.".

(c) FEDERAL DEPOSIT INSURANCE CORPORATION.—Section 17(a) of the Federal Deposit Insurance Act (12 U.S.C. 1827(a)) is amended by striking paragraph (3) and inserting the following:

"(3) INTERACTIONS WITH GLOBAL FINANCIAL REGULATORY OR SUPERVISORY FORUMS.—The report required under paragraph (1) shall include a description of the Corporation's interactions with global financial regulatory or supervisory forums, including—

"(A) a list of the global financial regulatory or supervisory forums in which the Corporation maintained membership during the period covered by the report; and

"(B) for each such global financial regulatory or supervisory forum in the list provided pursuant to subparagraph (A)—

"(i) a description of the general purposes of the global financial regulatory or supervisory forum, including a list of the current members and observers of the global financial regulatory or supervisory forum;

"(ii) a discussion of how the general purposes of the global financial regulatory or supervisory forum align with the purposes of this Act and the other Acts that the Corporation implements;

"(iii) an identification of the sources that provided a material amount of funding for the operations of the global financial regulatory or supervisory forum during the period covered by the report;

"(iv) a description of the organization the Corporation maintained during the period covered by the report to conduct interactions with the global financial regulatory or supervisory forum, including an organizational chart and an identification of the official staff of the Corporation with oversight responsibility for interactions with

the global financial regulatory or supervisory forum;

"(v) a discussion of the financial regulatory or supervisory standard-setting issues under discussion at the global financial regulatory or supervisory forum during the period covered by the report;

"(vi) a description of the positions taken by representatives of the Corporation at the global financial regulatory or supervisory forum during the period covered by the report, including the rationale, objectives, and potential impacts of such positions;

"(vii) a summary of the meetings attended by representatives of the Corporation at the global financial regulatory or supervisory forum during the period covered by the report, including a discussion of the key outcomes from such meetings;

"(viii) the text of any final policies, standards, or recommendations adopted by the global financial supervisory or regulatory forum during the period covered by the report, including any implementing

material, annex, appendix, side letter, or similar document entered into contemporaneously or in conjunction with the underlying policy, standard, or recommendation, or an identification of a publicly available source for the text of such policy, standard, recommendation, or implementing material;

"(ix) a description of any amendments to Federal statutes, regulations of the Corporation, guidance of the Corporation, or changes to the Corporation's supervisory practices the Corporation anticipates will be necessary to implement any final policies, standards, or recommendations adopted by the global financial supervisory or regulatory forum during the period covered by the report;

"(x) a discussion of rules proposed, rules under consideration, final rules adopted, guidance proposed, guidance under consideration, final guidance adopted, or any other similar actions taken by the Corporation during the period covered by the report to implement agreements of

the global financial regulatory or supervisory forum, including an economic impact analysis and a justification for why the expected costs of implementing actions are at least offset by the expected benefits related to economic, national security, financial stability, or other national interests; and

"(xi) such other information relating to interactions with the global financial regulatory or supervisory forum during the period covered by the report separately requested in writing by the Committee on Banking, Housing, and Urban Affairs of the Senate or the Committee on Financial Services of the House of Representatives.

"(4) GLOBAL FINANCIAL REGULATORY OR SUPERVISORY FORUM.—

"(A) IN GENERAL.—In this subsection, the term 'global financial regulatory or supervisory forum' means any association or union of nations through or by which two or more foreign authorities engage in some aspect of their conduct of international affairs regarding financial supervision and regulation, including—

"(i) the Bank for International Settlements;

"(ii) the Basel Committee on Banking Supervision;

"(iii) the Financial Stability Board;

"(iv) the International Association of Insurance Supervisors; and

"(v) the Network of Central Banks and Supervisors for Greening the Financial System.

"(B) EXCEPTION.—The term 'global financial regulatory or supervisory forum' does not include—

"(i) international financial institutions, as defined in section 1701(c)(2) of the International Financial Institutions Act (22 U.S.C. 262r(c)(2)); or

"(ii) any international organization with respect to which the Corporation participates pursuant to a treaty to which the United States is a party.".

SEC. 3. BIANNUAL CONGRESSIONAL TESTIMONY ON INTERACTIONS WITH GLOBAL FINANCIAL REGULATORY OR SUPERVISORY FORUMS.

Paragraph (12) of section 10 of the Federal Reserve Act (12 U.S.C. 247b) is amended by inserting before the period at the end the following: "and with respect to the conduct of interactions at global financial regulatory or supervisory forums (as defined in paragraph (7)(C))".

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To require the Federal financial institutions regulatory agencies to review the cumulative impact of regulations issued by such agencies, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__. _____ introduced the following bill; which was referred to the Committee on _____

A BILL

To require the Federal financial institutions regulatory agencies to review the cumulative impact of regulations issued by such agencies, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Regulatory Efficiency, Verification, Itemization, and Enhanced Workflow Act of 2025" or the "REVIEW Act of 2025".

SEC. 2. REVIEW OF REGULATIONS.

Section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (12 U.S.C. 3311) is amended—

(1) by striking "appropriate Federal banking agency" each place such term appears and inserting "Federal financial institutions regulatory agency";

(2) by striking "appropriate Federal banking agencies" each place such term appears and inserting "Federal financial institutions regulatory agencies";

(3) in subsection (a)—

(A) by striking "represented on the Council"; and

(B) by striking "once every 10 years" and inserting "once every 5 years";

(4) in subsection (b)—

(A) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively (and adjusting the margins accordingly);

(B) by striking "In conducting" and inserting the following:

"(1) SOLICITATION OF PUBLIC COMMENT.—In conducting"; and

(C) by adding at the end the following:

"(2) INTERNAL REVIEW OF CUMULATIVE IMPACT.—Each Federal financial institutions regulatory agency shall conduct an internal review of the cumulative impact of regulations issued by the Federal financial institutions regulatory agency that—

"(A) assesses the effects of such regulations on consumers' access to financial products and services;

"(B) assesses the effects of such regulations on the availability of financial products and services to financial and nonfinancial firms;

"(C) assesses the impact of such regulations on credit availability and financial market liquidity in United States financial markets;

"(D) assesses the balance of benefits and costs of such regulations with respect to the safety and soundness of the United States financial system and overall economic activity in the United States;

"(E) to the extent practicable, quantifies the direct and indirect economic costs imposed by such regulations; and

"(F) includes recommendations to streamline, simplify, or eliminate duplicative, outdated, and unnecessarily burdensome regulations.";

(5) in subsection (c)—

(A) by striking "subsection (b)(2)" and inserting "subsection (b)(1)(B), and the internal review under subsection (b)(2),"; and

(B) by striking "once every 10 years" and inserting "once every 5 years";

(6) in subsection (e)—

(A) in paragraph (1), by striking "and" at the end;

(B) by redesignating paragraph (2) as paragraph (3);

(C) by inserting after paragraph (1) the following:

"(2) a summary of the findings and determinations of each Federal financial institutions regulatory agency of the internal review conducted by the Federal financial institutions regulatory agency under subsection (b)(2); and"; and

(D) in paragraph (3), as so redesignated, by striking "the regulatory burdens associated with such issues by regulation" and inserting "the regulatory burdens associated with the issues identified by public comments received by the Council and the Federal financial institutions regulatory agencies, as well as the regu-

latory burdens identified by each Federal financial institutions regulatory agency through the internal reviews conducted under subsection (b)(2), by regulation"; and

(7) by adding at the end the following:

"(f) FEDERAL FINANCIAL INSTITUTIONS REGULATORY AGENCY DEFINED.—The term 'Federal financial institutions regulatory agency' has the meaning given that term in section 1003 of the Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3302).".

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To require the Federal banking agencies to study improving the growth, capital adequacy, and profitability of rural depository institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__. _____ introduced the following bill; which was referred to the Committee on _____

A BILL

To require the Federal banking agencies to study improving the growth, capital adequacy, and profitability of rural depository institutions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Rural Depositories Revitalization Study Act".

SEC. 2. STUDY ON IMPROVING THE GROWTH, CAPITAL ADEQUACY, AND PROFITABILITY OF RURAL DEPOSITORY INSTITUTIONS.

(a) STUDY.—The Federal banking agencies shall, jointly, carry out a study—

(1) to identify methods to improve the growth, capital adequacy, and profitability of depository institutions in the United States that primarily serve rural areas; and

(2) to identify Federal statutes or regulations of the Federal banking agencies that limit—

(A) the methods identified under paragraph (1); or

(B) the establishment of de novo depository institutions in rural areas.

(b) REPORT.—Not later than 6 months after the date of enactment of this Act, the Federal banking agencies shall, jointly, issue a report to Congress containing all findings and determinations made in carrying out the study required under subsection (a).

(c) DEFINITIONS.—In this section:

(1) DEPOSITORY INSTITUTION.—The term "depository institution" has the meaning given that term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) FEDERAL BANKING AGENCIES.—The term "Federal banking agencies" means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To require annual reports on national bank and Federal savings association charter applications, depository institution holding company applications, Federal deposit insurance applications, and State depository institution charter applications, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__. _____ introduced the following bill; which was referred to the Committee on _____

A BILL

To require annual reports on national bank and Federal savings association charter applications, depository institution holding company applications, Federal deposit insurance applications, and State depository institution charter applications, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "New Bank Application Numbers Knowledge Act of 2025" or the "New BANK Act of 2025".

SEC. 2. ANNUAL REPORT ON NATIONAL BANK AND FEDERAL SAVINGS ASSOCIATION CHARTER APPLICATIONS.

The Comptroller of the Currency shall publish an annual report that includes—

(1) the number of national bank and Federal savings association charter applications received, approved on a preliminary basis, approved on a final basis, denied, withdrawn, expired, mooted, or returned;

(2) the mean and median times for preliminary approval of such applications;

(3) the mean and median times for final approval of such applications; and

(4) common reasons leading to denial, withdrawal, or expiration of preliminary approval of such applications.

SEC. 3. ANNUAL REPORT ON FEDERAL CREDIT UNION CHARTER APPLICATIONS.

The National Credit Union Administration Board shall publish an annual report that includes—

(1) the number of Federal credit union charter applications received, proofs of concept established, approved on a final basis, denied, withdrawn, expired, mooted, or returned;

(2) the mean and median times to establish proof of concept for such applications;

(3) the mean and median times for final approval of such applications; and

(4) common reasons leading to denial, withdrawal, or expiration of establishment of proof of concept of such applications.

SEC. 4. ANNUAL REPORT ON DEPOSITORY INSTITUTION HOLDING COMPANY APPLICATIONS.

The Board of Governors of the Federal Reserve System shall publish an annual report that includes—

(1) the number of applications to become a top-tier depository institution holding company received, approved, denied, withdrawn, mooted, or returned;

(2) the mean and median times to approve such applications; and

(3) common reasons leading to denial or withdrawal of such applications.

SEC. 5. ANNUAL REPORT ON FEDERAL DEPOSIT INSURANCE APPLICATIONS.

The Federal Deposit Insurance Corporation shall publish an annual report that includes—

(1) the number of applications for deposit insurance received, approved, denied, withdrawn, mooted, or returned;

(2) the mean and median times to approve such applications; and

(3) common reasons leading to denial or withdrawal of such applications.

SEC. 6. ANNUAL REPORT ON STATE DEPOSITORY INSTITUTION AND STATE CREDIT UNION CHARTER APPLICATIONS.

(a) IN GENERAL.—The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration Board shall, jointly, and in consultation with State banking regulators and State credit union regulators, publish an annual report that includes—

(1) the number of State depository institution charter applications received, approved, denied, withdrawn, or otherwise dispositioned by State banking regulators and State credit union regulators, with numbers for each State shown separately;

(2) the mean and median times to approve such applications, with times for each State shown separately; and

(3) common reasons leading to denial or withdrawal of such applications.

(b) DEFINITIONS.—In this section:

(1) STATE.—The term "State" means any State of the United States, the District of Columbia, and any territory of the United States.

(2) STATE BANK.—The term "State bank" means any bank, banking association, trust company, savings bank, industrial bank, or other banking institution incorporated under the laws of any State.

(3) STATE DEPOSITORY INSTITUTION.—The term "State depository institution" means—

(A) a State bank or a State savings association; and

(B) a State credit union, as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

(4) STATE SAVINGS ASSOCIATION.—The term "State savings association" means—

(A) any building and loan association, savings and loan association, or homestead association incorporated under the laws of any State; and

(B) any cooperative bank incorporated under the laws of any State that is not a State bank.

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To require the Comptroller General of the United States to study the use of commitments and conditions in connection with insured depository institution merger applications by Federal depository institution regulatory agencies to ensure they align with statutory requirements, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__. _____ introduced the following bill; which was referred to the Committee on _____

A BILL

To require the Comptroller General of the United States to study the use of commitments and conditions in connection with insured depository institution merger applications by Federal depository institution regulatory agencies to ensure they align with statutory requirements, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Merger Agreement Approvals Clarity and Predictability Act".

SEC. 2. GAO STUDY ON USE OF COMMITMENTS AND CONDITIONS IN CONNECTION WITH INSURED DEPOSITORY INSTITUTION MERGER APPLICATIONS.

(a) STUDY.—The Comptroller General of the United States shall carry out a study on the use of commitments and conditions by Federal depository institution regulatory agencies in connection with insured depository institution merger applications. The study shall—

(1) include an evaluation of relevant quantifiable metrics; and

(2) review the extent to which the use of commitments and conditions has aligned with statutory requirements, including a review of whether the use of commitments and conditions has been influenced by extrastatutory issues or considerations.

(b) REPORT.—Not later than 6 months after the date of enactment of this Act, the Comptroller General shall issue a report to Congress containing all findings and determinations made in carrying out the study required under subsection (a).

(c) DEFINITIONS.—In this section:

(1) APPLICATION.—The term "application" means an application, notice, or other similar request for permission submitted to a Federal depository institution regulatory agency.

(2) FEDERAL DEPOSITORY INSTITUTION REGULATORY AGENCY.—The term "Federal depository institution regulatory agency" means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Credit Union Administration Board.

(3) INSURED DEPOSITORY INSTITUTION.—The term "insured depository institution"—

(A) has the meaning given that term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and

(B) means an insured credit union, as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

(4) INSURED DEPOSITORY INSTITUTION MERGER APPLICATION.—The term "insured depository institution merger application" means an application with respect to the acquisition of an insured depository institution, its equity interests, its assets, or its deposits under—

(A) section 10(e) of the Home Owners' Loan Act (12 U.S.C. 1467a(e));

(B) section 205(b) of the Federal Credit Union Act (12 U.S.C. 1785(b));

(C) section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j));

(D) section 18(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)(2));

(E) section 3 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842); and

(F) section 4 of the Bank Holding Company Act of 1956 (12 U.S.C. 1843).

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[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To require the Inspector General of each Federal prudential regulator to carry out a review every 3 years of the regulator's handling of insured depository institution merger applications, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__. _____ introduced the following bill; which was referred to the Committee on _____

A BILL

To require the Inspector General of each Federal prudential regulator to carry out a review every 3 years of the regulator's handling of insured depository institution merger applications, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Merger Process Review Act".

SEC. 2. INSPECTOR GENERAL REVIEW OF THE HANDLING OF INSURED DEPOSITORY INSTITUTION MERGER APPLICATIONS.

(a) REVIEW.—Not later than 1 year after the date of enactment of this Act, and every 3 years thereafter, the Inspector General of each Federal depository institution regulatory agency shall review the Federal depository institution regulatory agency's record of timeliness and efficiency in reviewing and acting upon insured depository institution merger applications. The review shall—

(1) include an evaluation of relevant quantifiable metrics, including mean and median application processing times;

(2) identify sources of delay that may hinder the timely consummation of proposals that meet the relevant statutory factors; and

(3) include specific recommendations to improve the timeliness and efficiency of application processing, consistent with the Federal depository institution regulatory agency's statutory responsibilities.

(b) REPORT.—Each Inspector General described under subsection (a) shall, at the conclusion of each review required under subsection (a), issue a report to Congress containing all findings and determinations made in carrying out the review.

(c) AGENCY RESPONSE.—In response to each report issued to Congress under subsection (a), the appropriate Federal depository institution regulatory agency shall submit to Congress a written response, including a plan to implement the recommendations in the report, to the extent such implementation is appropriate.

(d) DEFINITIONS.—In this section:

(1) APPLICATION.—The term "application" means an application, notice, or other similar request for permission submitted to a Federal depository institution regulatory agency.

(2) FEDERAL DEPOSITORY INSTITUTION REGULATORY AGENCY.—The term "Federal depository institution regulatory agency" means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Credit Union Administration Board.

(3) INSURED DEPOSITORY INSTITUTION.—The term "insured depository institution"—

(A) has the meaning given that term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and

(B) means an insured credit union, as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

(4) INSURED DEPOSITORY INSTITUTION MERGER APPLICATION.—The term "insured depository institution merger application" means an application with respect to the acquisition of an insured depository institution, its equity interests, its assets, or its deposits under—

(A) section 10(e) of the Home Owners' Loan Act (12 U.S.C. 1467a(e));

(B) section 205(b) of the Federal Credit Union Act (12 U.S.C. 1785(b));

(C) section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j));

(D) section 18(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)(2));

(E) section 3 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842); and

(F) section 4 of the Bank Holding Company Act of 1956 (12 U.S.C. 1843).

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119TH CONGRESS
1ST SESSION

H. R. 4936

To establish a Task Force for Recognizing and Averting Payment Scams, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 8, 2025

Mr. NUNN of Iowa (for himself and Mr. HIMES) introduced the following bill; which was referred to the Committee on Financial Services

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A BILL

To establish a Task Force for Recognizing and Averting Payment Scams, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Taskforce for Recognizing and Averting Payment Scams Act'' or the ''TRAPS Act''.

SEC. 2. DEFINITIONS.

In this Act:

(1) PAYMENT.—The term ''payment'' means any mechanism through which an individual can

electronically transfer funds to another individual via a platform or intermediary.

(2) SECRETARY.—The term "Secretary" means the Secretary of the Treasury.

(3) TASK FORCE.—The term "Task Force" means the Task Force on Payment Scams established under section 3(a).

SEC. 3. TASK FORCE ON PAYMENT SCAMS.

(a) ESTABLISHMENT.—Not later than 90 days after the date of enactment of this Act, the Secretary shall establish a task force, to be known as the Task Force for Recognizing and Averting Payment Scams.

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Task Force shall be chaired by the Secretary or a designee thereof, and shall consist of representatives from the following:

(A) The Bureau of Consumer Financial Protection.

(B) The Federal Communications Commission.

(C) The Federal Trade Commission.

(D) The Department of Justice.

(E) The Office of the Comptroller of the Currency.

(F) The Board of Governors of the Federal Reserve System.

(G) The National Credit Union Administration.

(H) The Federal Deposit Insurance Corporation.

(I) The Financial Crimes Enforcement Network.

(J) A representative, appointed by the Secretary in consultation with the Task Force, from a financial institution with expertise in identifying, preventing, and combating payment scams.

(K) A representative, appointed by the Secretary in consultation with the Task Force, from a credit union with expertise in identifying, preventing, and combating payment scams.

(L) A representative, appointed by the Secretary in consultation with the Task Force, from a digital payment network with expertise in identifying, preventing, and combating payment scams.

(M) A representative, appointed by the Secretary in consultation with the Task Force, from a community bank.

(N) A representative, appointed by the Secretary in consultation with the Task Force, from a consumer group.

(O) A representative, appointed by the Secretary in consultation with the Task Force, from an industry association representing technology or online platforms.

(P) Not more than 5 representatives appointed by the Secretary to represent victims, scam support networks, and other relevant stakeholders in order to better assist consumers and stakeholders.

(2) TERM OF APPOINTMENT.—The term of a member of the Task Force shall continue until the termination of the Task Force.

(3) VACANCY.—Any vacancy occurring in the membership of the Task Force shall be filled in the same manner in which the original appointment was made.

(c) PURPOSE.—The Task Force shall—

(1) examine current trends and developments in payment scams, identify effective methods for pre-

venting such scams, and issue recommendations to enhance efforts to identify and prevent such activities;

(2) adopt a cross-sector approach to ensure its recommendations reflect the full scope of the issue, given that scams impact individuals across a wide range of industries, including financial services, telecommunications, and technology; and

(3) include representation from stakeholders with direct experience supporting victims of scams, as well as industry participants with insight into scam tactics and prevention strategies.

(d) MEETINGS.—The Task Force shall meet not less than 3 times during the 1-year period beginning on the date of enactment of this Act, and thereafter at such times and places, and by such means, as the Chair of the Task Force determines to be appropriate, which may include the use of remote conference technology.

(e) DUTIES.—The duties of the Task Force shall include—

(1) evaluating best practices for combating methods used by scammers, including spoofed calls, scam text messages, and malicious advertisements, pop-ups, and websites;

(2) assessing how international jurisdictions have tried to prevent payment scams;

(3) identifying and reviewing current methods used to scam a consumer through payment platforms;

(4) determining a strategy for education programs that better equip consumers to identify, avoid, and report payment scam attempts to the appropriate authorities;

(5) coordinating efforts to ensure perpetrators of payment scams can be identified and pursued by law enforcement;

(6) consulting with other relevant stakeholders, including State, local, and Tribal agencies and financial services providers;

(7) determining whether any additional Federal legislation would be beneficial for law enforcement and industry in mitigating payment scams; and

(8) identifying potential solutions to payment scams involving business email compromise.

(f) COMPENSATION.—Each member of the Task Force who is a civilian or employee of the United States shall serve without compensation, other than compensation to which entitled as an employee of the United States, as the case may be.

(g) REPORT.—

(1) IN GENERAL.—Not later than 1 year after the date on which the Secretary establishes the Task Force, the Task Force shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives and make publicly available online a report detailing—

(A) the results of the reviews and evaluations of the Task Force under subsection (e);

(B) the strategy identified under subsection (e);

(C) any legislative or regulatory recommendations that would enhance the ability to detect and prevent payment scams described in subsection (e); and

(D) recommendations to enhance cooperation among Federal, State, local, and Tribal authorities in the investigation and prosecution of scams and other financial crimes, including harmonizing data collection, improving reporting mechanisms and streams, estimating the number of complaints and consumers affected, and evaluating the effectiveness of anti-scam training programs.

(2) ANNUAL UPDATES.—After submitting an initial report required under paragraph (1), the Task Force shall, on an annual basis, submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives and make publicly available online an updated version of the report.

(h) APPLICABLE LAW.—Chapter 4 of title 5, United States Code, shall not apply to the Task Force.

(i) SUNSET.—The Task Force shall terminate on the date that is 3 years after the date on which the Task Force submits the report required under subsection (h)(1).

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