

The top of the page features a dark blue banner with the "GIBSON DUNN" logo in white, bold, sans-serif capital letters. To the right of the logo is a photograph of the Federal Reserve building, a large, white, classical-style structure with many columns and a flagpole flying the American flag in front of it.

GIBSON DUNN

Monthly Bank Regulatory Report

July 31, 2025

We are pleased to provide you with the July edition of Gibson Dunn's monthly U.S. bank regulatory update. Please feel free to reach out to us to discuss any of the below topics further.

KEY TAKEAWAYS

- As previewed in Vice Chair for Supervision Bowman's first [remarks](#) as Vice Chair for Supervision, the Board of Governors of the Federal Reserve System (Federal Reserve) [issued](#) a proposal to revise its Large Financial Institution (LFI) rating system for large bank holding companies and its rating system for supervised insurance organizations (SIOs), specifically to address the "well managed" status of those firms under the frameworks. Comments on the proposal are due by August 14, 2025.
- The Federal Reserve [held](#) its Integrated Review of the Capital Framework for Large Banks Conference. In his opening [remarks](#), Federal Reserve Board Chair Powell echoed a theme from throughout the conference: the need to "ensure that all the different pieces of the capital framework work together effectively" and all elements of the capital framework are considered "in concert, rather than ... in isolation."
- The GENIUS Act was [signed](#) into law. See our *Client Alert* on the GENIUS Act [here](#) and webcast [here](#).
- The White House released the [report](#) of the President's Working Group on Digital Asset Markets outlining recommendations for how cryptocurrency should be regulated, including language around banking, a crypto stockpile, stablecoins, taxes and illicit finance.

- As [signaled](#) by Acting Chairman Travis Hill in April, the Federal Deposit Insurance Corporation (FDIC) [issued](#) a request for information (RFI) on how the agency reviews filings submitted by industrial banks. Comments on the RFI are due by September 19, 2025. Separately, the FDIC [withdrew](#) an August 2024 proposed rule that would have made the parent company of an industrial bank subject to Part 354 of the FDIC's regulations.
- Also as [signaled](#) by Acting Chairman Travis Hill in April, the FDIC [issued](#) a proposed rule to adjust and index certain regulatory thresholds, including thresholds that would raise the applicability of the Part 363 audit committee requirements for insured depository institutions.
- The federal banking agencies [published](#) interagency guidance on risk management considerations related to crypto-asset safekeeping—*i.e.*, the service of holding an asset on a customer's behalf.
- As [signaled](#) by the federal banking agencies in March, the Federal Reserve, Office of the Comptroller of the Currency (OCC) and FDIC [issued](#) a joint notice of proposed rulemaking to amend their Community Reinvestment Act (CRA) regulations by rescinding the CRA regulations [issued](#) in October 2023 and replacing the October 2023 CRA final rule with the 1995 CRA regulations. Comments on the proposal are due by August 18, 2025.
- Jonathan Gould was [sworn in](#) as Comptroller of the Currency.

DEEPER DIVES

Federal Reserve Proposes Revisions to Supervisory Rating Framework for Large Bank Holding Companies and Supervised Insurance Organizations. On July 10, 2025, the Federal Reserve [issued](#) a proposal to revise its LFI rating system for large bank holding companies and its rating system for SIOs specifically to address the “well managed” status of those firms. Under the proposal, a firm with at least two *Broadly Meets Expectations* or *Conditionally Meets Expectations* component ratings and no more than one *Deficient-1* component rating would be considered “well managed” under the LFI framework. A firm would not be considered “well managed” under the LFI framework if it receives a *Deficient-1* for two or more component ratings or it receives a *Deficient-2* for any of the component ratings.

The proposal also would eliminate the presumption that firms with one or more *Deficient-1* component ratings will be subject to an informal or formal enforcement action and, instead, firms with one or more *Deficient-1* component ratings may be subject to a formal or informal enforcement action, depending on particular facts and circumstances. The proposal would make parallel changes to the SIO ratings framework. The proposal was approved by a 5-1 vote, with Governor Barr voting against and Governor Kugler abstaining. Comments on the proposal are due by August 14, 2025.

- *Insights.* As Vice Chair for Supervision Bowman has consistently advocated, the proposal would aim to align an institution's "well managed" status more closely with its financial and operational strength by, according to a [statement](#) from Vice Chair for Supervision Bowman, "addressing this mismatch between ratings and overall firm condition" and "adopt[ing] a pragmatic approach to determining whether a firm is well managed." In her statement, Vice Chair for Supervision Bowman also noted that "the Board will continue to evaluate whether additional changes to our ratings systems are warranted. These could include adding a composite rating for the LFI framework and revisiting the weighting of the management and risk management components respectively under the CAMELS and RFI frameworks in determining a holding company's or bank's composite rating." The proposal intends to calibrate the ratings to more accurately reflect the presence of material deficiencies in an institution's management and control framework.

Federal Reserve Holds Integrated Review of the Capital Framework for Large Banks

Conference. On July 21, 2025, the Federal Reserve [convened](#) the Integrated Review of the Capital Framework for Large Banks Conference. The conference emphasized the importance of coordination across the four key pillars of capital—Basel III, leverage ratios, GSIB surcharges, and stress testing—with input from all stakeholders.

- *Insights.* Secretary of the Treasury Scott Bessent gave [remarks](#) at the conference. In those remarks, Bessent stated that the Treasury Department is "committed to playing an active role" in the "fundamental reset of financial regulation," including by "conven[ing] interagency consultations to define a strategic policy direction," encouraging regulators "to consider how proposed rules will impact growth" and centering "financial regulation on Main Street, not Wall Street." Near the end of his remarks he included a clear message with respect to a pending capital proposal: "We need to take a closer look at regulatory capital requirements," adding that he "looks forward" to a proposal that will "simplify and rationalize the framework" and address "known deficiencies."

GENIUS Act Signed Into Law. On July 18, 2025, the President [signed](#) the GENIUS Act (the Act) into law. The legislation is the most significant United States law affecting the digital assets industry to date and reflects the Administration's and Congress' priorities of establishing a comprehensive framework for the United States' approach to digital assets and related activities. The Act, which benefited from strong bipartisan support, was adopted on June 17, 2025 in the U.S. Senate by a vote of 68 to 30, and in the U.S. House of Representatives by a vote of 308 to 122, on July 17, 2025. See our *Client Alert* on the GENIUS Act [here](#) and webcast [here](#).

- *Insights.* There is much to come through the rulemaking process implementing key provisions of the GENIUS Act. In particular, the development of the federal certification process of state regulators and the enforcement power of federal banking agencies over state-permitted payment stablecoin issuers in unusual and exigent circumstances present novel issues on the state-level and how potential licensees measure the certainty in their permitted stablecoin issuance status at the state level.

There are also considerations on technical matters related to the role of banks in the permitted stablecoin ecosystem. The Act enables permitted payment stablecoin issuers to place funds at banks, but does not generally allow for marketing of deposit insurance. It is

unclear if the marketing limitation would otherwise impede the ability of permitted payment stablecoin issuers to provide pass-through deposit insurance (and, thus, also does not address potential brokered deposit considerations). Another area of focus for rulemaking will be the comparable supervision consideration requirements for foreign payment stablecoin issuers and the level of certainty for issuers currently engaged in the U.S. market. As the rulemaking process continues, it is critical for all industry participants to engage in advocacy efforts with federal and state regulators and other policymakers to minimize unintended consequences.

FDIC Issues RFI on ILCs and their Parent Companies. On July 15, 2025, the FDIC [issued](#) an RFI soliciting comments on the FDIC's approach to evaluating the statutory factors applicable to certain filings submitted by industrial banks (ILCs). In a statement issued by Acting Chairman Travis Hill, he noted that "[a]lthough many of the arguments related to ILCs are familiar, sustained interest in the charter by a diverse set of institutions suggests that a wide-ranging RFI would be a helpful step." He continued, the FDIC's "ultimate objective should be a policy statement or similar issuance that provides clarity on how the FDIC interprets the applicable statutory factors in the context of ILC filings." Comments on the RFI are due by September 19, 2025.

- *Insights.* The RFI includes 34 prompts, many with multiple embedded questions. At least 12 questions relate specifically to "nonfinancial" companies, retailers and/or technology companies, including all of Section B.3 (*"Characteristics of Industrial Bank Parent Companies: Non-Financial Companies"*), while others refer to ILCs with a "large parent company dominant in certain markets." The preamble to the proposal traces the agency's history with ILCs back through the moratorium on ILC deposit insurance applications and change in control notices to 2005 and 2006 when two large retailers filed applications for deposit insurance, but draws no conclusions as to the viability of a modern day nonfinancial company's application for federal deposit insurance. The RFI also includes a post-GENIUS Act prompt, asking: "If nonfinancial companies begin offering payment stablecoins, how, if at all, should that impact the FDIC's analytical framework?" The GENIUS Act currently prohibits a public company not "predominantly engaged" in financial activities (and its wholly or majority-owned subsidiaries) from issuing payment stablecoins, unless the company receives a unanimous vote by the Stablecoin Certification Review Committee; however, the CLARITY Act reduces that standard to all companies (public or private) that derive a majority of revenue from nonfinancial activities and would not prohibit such companies from owning depository institutions, such as ILCs, that could form subsidiaries to issue payment stablecoins.

FDIC Issues Proposed Rule on Adjusting and Indexing Certain Regulatory Thresholds. On July 15, 2025, the FDIC [issued](#) a notice of proposed rulemaking amending certain regulatory thresholds in the FDIC's regulations to reflect inflation and provide for future adjustments pursuant to an indexing methodology. The proposed rule adjusts thresholds in six FDIC parts: 303 (filing procedures); 335 (securities of nonmember banks and state savings associations); 340 (restrictions on sale of assets by a failed institution by the FDIC); 347 (international banking); 363 (audit committee requirements); and 380 (orderly liquidation authority). Acting Chairman Travis Hill [issued](#) a statement on the proposal.

- *Insights.* Most notably, the proposed rulemaking adjusts 24 thresholds in 12 C.F.R. Part 363, including:

<u>12 C.F.R. Part 363</u>	<u>Subject</u>	<u>Current threshold</u>	<u>Proposed threshold</u>
§ 363.1(a)	Applicability	\$500 million	\$1 billion
§ 363.2(b)(3)	Assessment of the effectiveness of internal controls	\$1 billion	\$5 billion
§ 363.3(b)	Independent auditor attestation concerning effectiveness of internal control over financial reporting	\$1 billion	\$5 billion
§ 363.4(a)(2)	Part 363 Annual Report	\$1 billion	\$5 billion
§ 363.4(c)(3)	Independent public accountant’s letters and reports	\$1 billion	\$5 billion
§ 363.5(a)(1)	Audit committee composition – all independent directors	\$1 billion	\$5 billion
§ 363.5(a)(2)	Audit committee composition – majority independent directors	\$500 million/ \$1 billion	\$1 billion/ \$5 billion
§ 363.5(b)	Members with “banking or related financial management expertise”	\$3 billion	\$5 billion
<p>Remaining thresholds in the Part 363 Guidelines would be increased from \$500 million to \$1 billion; \$1 billion to \$5 billion; and \$3 billion to \$5 billion. The “independent of management” criteria concerning director compensation would be increased from \$100,000 to \$120,000 to align with the listing standards of national securities exchanges for purposes of making director independence determinations.</p>			

OTHER NOTABLE ITEMS

CFPB to Reissue 1033 Rule. Although the Consumer Financial Protection Bureau (CFPB) had previously stated to a court in the Eastern District of Kentucky that it thought the 1033 open banking rule is unlawful and should be set aside, the agency has now sought a stay of the court proceedings challenging the rule. According to the [court filings](#), “the [CFPB] has now decided to initiate a new rulemaking to reconsider the Rule with a view to substantially revising it and providing a robust justification.” The CFPB further states that it “seeks to comprehensively reexamine this matter alongside stakeholders and the broader public to come up with a well-reasoned approach to these complex issues that aligns with the policy preferences of new leadership and addresses the defects in the initial Rule” in an “accelerated rulemaking process.”

FDIC Issues Proposal to Amend Guidelines for Appeals of Material Supervisory

Determinations. On July 15, 2025, the FDIC [issued](#) a proposal to amend the FDIC’s Guidelines for Appeals of Material Supervisory Determinations. Under the proposal, the FDIC would replace

the existing Supervision Appeals Review Committee with an independent office within the FDIC—the Office of Supervisory Appeals. Under the proposal, the office would be established as the final level of review of material supervisory determinations, independent of the Divisions that make supervisory determinations. The proposal defines those material supervisory determinations that are appealable to the office (e.g., ratings, matters requiring board attention) and those that are not appealable to the office (e.g., formal enforcement actions). Acting Chairman Travis Hill [issued](#) a statement on the proposal.

Federal Banking Agencies Propose Rescinding 2023 CRA Regulations. On July 16, 2025, the Federal Reserve, OCC and FDIC [issued](#) a notice of proposed rulemaking to rescind the final CRA rule issued in October 2023 and reinstate the prior CRA framework with certain minor technical amendments. As [noted](#) by the federal banking agencies in their release announcing the proposed rule, because the October 2023 final rule remains subject to legal action and has not taken effect, the agencies continue to apply the 1995 regulations, as amended, to banks. As the notice of proposed rulemaking progresses through the public comment phase, bank's CRA obligations will continue to be evaluated under the traditional metrics and methodology which have been in place in substantially the same form since 1995. Comments on the proposal are due by August 18, 2025.

Federal Banking Agencies Seek Further Comment on Interagency Effort to Reduce Regulatory Burden. On July 21, 2025, the Federal Reserve, OCC and FDIC [announced](#) the three remaining categories of regulations for which they will solicit comments to reduce regulatory burden: Banking Operations, Capital and the CRA. Commenters are requested to submit comments in response to the request by October 23, 2025.

Federal Reserve Joins OCC, FDIC and NCUA Order Granting Exemption to CIP Rule. On July 31, 2025, the Federal Reserve [joined](#) the other federal banking agencies and the National Credit Union Administration, with the concurrence of FinCEN, in an order granting an exemption from the Customer Identification Program (CIP) rule requirement that a bank or credit union obtain taxpayer identification number (TIN) information from its customer before opening an account. The exemption permits a bank or credit union to use an alternative collection method to obtain TIN information from a third-party rather than from the customer.

FDIC Issues Proposed Rule on Establishment of Branches. On July 15, 2025, the FDIC [issued](#) a notice of proposed rulemaking on the establishment and relocation of branches and offices by state nonmember banks and insured branches of federal banks. The proposal would: (i) shorten the approval period for expedited processing for “eligible depository institutions;” (ii) eliminate the FDIC’s discretion to remove a filing from expedited processing for eligible filers; (iii) eliminate the public notice and related public comment period on branch applications; and (iv) permit state nonmember banks that seek to make a *de minimis* change in the address of a branch to notify the FDIC of such a change, rather than submit an application. Comments on the proposal are due by September 16, 2025. Acting Chairman Travis Hill [issued](#) a statement on the proposal.

Speech by Governor Barr on Financial Regulation. On July 16, 2025, Federal Reserve Board Governor Michael Barr gave a [speech](#) titled “Booms and Busts and the Regulatory Cycle.” In his speech, Governor Barr spoke about “regulatory weakening”—both “direct deregulatory actions by regulators or legislators” and also “failure of the regulatory framework to keep up with changing

circumstances”—and its role in past financial crises.

Remarks by Vice Chair for Supervision Bowman on Financial Inclusion. On July 15, 2025, Vice Chair for Supervision Bowman gave the opening [remarks](#) at Unleashing a Financially Inclusive Future, the second annual financial inclusion conference hosted by the Federal Reserve. In her remarks, Vice Chair for Supervision Bowman highlighted banks’ innovative use of alternative data to provide services like small-dollar loans or provide credit to unbanked or underbanked consumers.

Remarks by Governor Barr on Financial Inclusion. On July 15, 2025, Federal Reserve Board Governor Barr gave a [speech](#) titled “Expanding Financial Inclusion” at Unleashing a Financially Inclusive Future. In his speech, Governor Barr highlighted several ways that the public and private sectors are helping to increase financial inclusion, including through faster payments services, responsible small-dollar lending methods and the use of alternative data to promote credit access.

Speech by Governor Cook on AI. On July 17, 2025, Federal Reserve Board Governor Lisa Cook gave a [speech](#) titled “AI: A Fed Policymaker’s View.” In her speech, Governor Cook spoke about the effects AI will have on both sides of the Federal Reserve’s dual mandate of maximum employment and price stability.

FDIC Updates PPE List. On July 15, 2025, the FDIC [updated](#) the list of companies that have submitted notices for a Primary Purpose Exception (PPE) under the 25% or Enabling Transactions test.

Adam Cohen Named OCC Chief Counsel. On July 30, 2025, the OCC [announced](#) that Adam Cohen has been named Senior Deputy Comptroller and OCC Chief Counsel. Mr. Cohen assumes the role on August 11, 2025.

Kate Tyrrell Named Chief of Staff. On July 23, 2025, the OCC [announced](#) that Kate Tyrrell has been named Chief of Staff and Senior Deputy Comptroller.

The following Gibson Dunn lawyers contributed to this issue: Jason Cabral, Ro Spaziani, and Rachel Jackson.

Gibson Dunn’s lawyers are available to assist in addressing any questions you may have regarding the issues discussed in this update. Please contact the Gibson Dunn lawyer with whom you usually work or any of the member of the [Financial Institutions](#) practice group:



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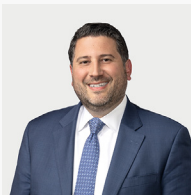
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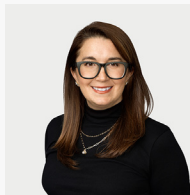
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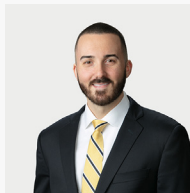
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