Monthly Bank Regulatory Report

December 1, 2025

We are pleased to provide you with the November 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

- The Board of Governors of the Federal Reserve System (Federal Reserve), Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) jointly issued a final rule modifying the enhanced supplementary leverage ratio (eSLR) for the largest banks. The rule is broadly consistent with the proposal and replaces the fixed 2% eSLR buffer for GSIBs and their subsidiaries with a buffer equal to half of the GSIB’s Method 1 surcharge, noting that “[t]his recalibration is important to help mitigate potential disincentives for GSIBs to engage in low-risk, low-return, balance-sheet-intensive activities, such as intermediation by GSIBs’ broker-dealer subsidiaries in markets for Treasury securities, and from holding low-risk assets in general.” In a change to the proposed rule, the buffer would be capped at 1% for subsidiary banks. Although the final rule goes into effect April 1, 2026, it includes an option for banking organizations to start using it as early as January 1, 2026.
- The Federal Reserve finalized revisions to 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. The effective date of the final notice is January 16, 2026.
- The Federal Reserve publicly released a Statement of Supervisory Operating Principles (Statement), previously provided to all Federal Reserve supervisory leadership and staff, which aligns supervisory practices with the policy direction set by Vice Chair for Supervision Michelle Bowman. The Statement translates Vice Chair for Supervision Bowman’s priorities into specific supervisory and operational expectations for

implementation by supervisory staff of the Federal Reserve Board and Federal Reserve Banks.

- As signaled by leadership of the federal banking agencies, the Federal Reserve, FDIC and OCC issued a proposed rule to lower the community bank leverage ratio (CBLR) requirement from 9% to 8% and extend the compliance grace period from two to four quarters. The proposal is part of a broader recalibration of capital and other regulatory and supervisory requirements for smaller institutions. Comments on the proposal are due by January 30, 2026.
- The OCC continued its regulatory and supervisory tailoring efforts for community banks (now defined as institutions with up to $30 billion in assets) by issuing new guidance clarifying BSA/AML examination procedures, reducing certain data-collection requirements and outlining how examiners may exercise discretion in the examination process. The OCC also issued a request for information (RFI) seeking input on the "key challenges" and "barriers" community banks face when engaging with core service providers and other essential third-party providers. Comments on the RFI are due by January 27, 2026.
- The OCC published an interpretive letter authorizing national banks to pay network fees on blockchain networks to support otherwise permissible activities and hold, *as principal*, amounts of crypto-assets reasonably necessary to cover anticipated network fee obligations. The interpretive letter continues the OCC's incremental approach to clarifying the permissibility of crypto-related activities.

DEEPER DIVES

Federal Banking Agencies Finalize Changes to Enhanced Supplementary Leverage Ratio. On November 25, 2025, the Federal Reserve, FDIC and OCC jointly issued a final rule modifying the enhanced supplementary leverage ratio (eSLR) requirements applicable to the largest banks. The rule was adopted unanimously by the FDIC and OCC but approved by a 5-2 vote of the Federal Reserve Board. In dissent, Governor Cook expressed concerns with the reduction of capital at the holding company levels, noting that "well-intended, individually reasonable actions can nevertheless result in disproportionately large reductions in overall capital that can reduce the resilience of the system."

Under the final rule, the eSLR buffer for GSIBs will equal 50 percent of a GSIB's method 1 surcharge, replacing the current fixed 2% buffer. The banking agencies explained that, since the adoption of the eSLR standards, the supplementary leverage ratio requirements have become a binding constraint rather than a backstop to risk-based capital requirements. Accordingly, the final rule would modify the calibration of the eSLR standards to help ensure that supplementary leverage ratio requirements generally serve as a backstop to risk-based capital requirements. The eSLR final rule also modifies the standard for subsidiary depository institutions from the current 6 percent standard (3 percent supplementary leverage ratio requirement plus 3 percent) to 3 percent plus the lesser of (i) one percent; or (ii) 50 percent of the method 1 risk-based capital surcharge applicable to the GSIB holding company that controls the national bank or federal savings association. It also removes the eSLR standard from the definition of "well capitalized" under the prompt corrective action framework, further aligning leverage requirements with their intended role.

- *Insights*. The adoption of the eSLR rule further reflects the tailoring efforts on banking regulation and reducing U.S. gold-plating relative to international standards. As adopted, the banking agencies emphasized the purpose of the eSLR to serve as a buffer based on the GSIB surcharge framework would tailor the eSLR to each GSIB's systemic footprint and produce a calibration that is consistent with the objective for supplementary leverage ratio requirements to act as a backstop to risk-based capital requirements. It also highlights the importance of balancing the risks within the financial system with the intended role of financial institutions, including that "GSIBs play a key role in supporting market liquidity and providing financing in Treasury markets." At the same time, dissenting Federal Reserve Governors expressed skepticism whether additional balance-sheet capacity will, in practice, be deployed to Treasury-market support during periods of stress, underscoring the policy debate over the rule's implications for capital resilience.

Federal Reserve Finalizes Revisions to Supervisory Rating Framework for Large Bank Holding Companies and Supervised Insurance Organizations. On November 5, 2025, the Federal Reserve finalized revisions to 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. The final notice was adopted substantially as proposed in July. Under the revised framework, a firm will be considered "well managed" if it receives at least two Broadly Meets Expectations or Conditionally Meets Expectations component ratings and no more than one Deficient-1 component rating. A firm will not be considered "well managed" 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 final notice also eliminates the enforcement presumption that a firm with one or more Deficient-1 component ratings *will* be subject to an informal or formal enforcement action. Instead, such firms *may* be subject to a formal or informal enforcement action based on the particular facts and circumstances. The final rule makes parallel changes to the SIO ratings framework. Federal Reserve Board Governor Barr issued a dissenting statement.

- *Insights*. According to the Federal Reserve, as of the third quarter of 2025, 36 holding companies were subject to the LFI framework, 17 of which were not considered "well managed". Federal Reserve staff estimated that the revised framework would reduce the number of holding companies categorized as not "well managed" by seven. Importantly, however, only three of the seven firms would also qualify as "well managed" under the Bank Holding Company Act, which requires that both the holding company and each depository institution subsidiary be "well managed" in order for the firm to elect financial holding company status.

  These data points—and the continuing emphasis across the federal banking agencies to align supervisory ratings with material financial risks—strongly suggest that CAMELS ratings will be the next area of reform. Recent statements by Vice Chair for Supervision Bowman ("we and the other FFIEC agencies are reviewing the CAMELS ratings system, which is long past due for reform") and FDIC Acting Chairman Hill ("we are also working hard on potential reforms to the CAMELS rating system") reinforce this hypothesis.

Federal Reserve Releases Statement of Supervisory Operating Principles. On November 18, 2025, the Federal Reserve released a Statement of Supervisory Operating Principles (Statement), previously provided to all Federal Reserve supervisory leadership and staff. The Statement aligns supervisory practices with the policy direction set by Vice Chair for Supervision Michelle Bowman—namely refocusing the examination process to prioritize a firm's material financial risks over process-related factors or concerns.

- *Insights*. The Statement reinforces the Federal Reserve's continuing shift under Vice Chair for Supervision Bowman toward a supervisory philosophy centered on material financial risks rather than process-driven or documentation-centric deficiencies. Although the principles articulated in the Statement parallel those reflected in the OCC's and FDIC's recent proposal to define "unsafe or unsound practices" and revise the framework for issuing MRAs and other supervisory communications—and, indeed, the Statement notes that work in these areas is already underway—the Statement is broader in scope. It addresses expectations for the use of horizontal reviews, supervisory practices related to liquidity risk, ratings considerations and other themes that affect how examinations are conducted across the Federal Reserve System. Because the Statement represents a formalized directive to supervisory staff, institutions should expect its principles to be incorporated into examination planning and execution relatively quickly.

Federal Banking Agencies Propose Revisions to the CBLR Framework. On November 25, 2025, the Federal Reserve, FDIC and OCC issued a proposed rule to revise the community bank leverage ratio (CBLR) framework. The proposal would lower the CBLR requirement from 9% to 8%—measured as tier 1 capital divided by average total consolidated assets—and would extend the grace period for qualifying community banking organizations that temporarily fall below the threshold from two quarters to four quarters (subject to a limit of eight quarters in any five-year period). The agencies stated that these changes are intended to provide community banking organizations with greater flexibility to manage balance sheet fluctuations and temporary stress conditions.

According to the proposal, lowering the CBLR to 8% would allow an estimated 475 additional community banking organizations to qualify for the CBLR framework, should they choose to opt in. Under the CBLR framework, a qualifying community banking organization (defined as an insured depository institution or its holding company with total consolidated assets of less than $10 billion and satisfying certain other criteria) is deemed to satisfy all generally applicable risk-based and leverage capital requirements and, in the case of an insured depository institution, is considered well capitalized under the agencies' prompt corrective action framework.

- *Insights*. The proposed revisions to the CBLR framework reflect the federal banking agencies continued focus on regulatory tailoring for smaller institutions. The proposal aligns with recent efforts at the agencies to recalibrate supervisory expectations for community banks. These initiatives solidify the agencies' willingness to differentiate smaller institutions from larger, more complex firms. In the case of smaller institutions considering an opt-in, lowering the CBLR to 8% and extending the grace period would provide community banks with greater flexibility to manage short-term fluctuations in deposits, liquidity positions and asset mixes without immediately triggering more complex risk-based capital requirements.

OCC Continues Regulatory and Supervisory Tailoring Efforts for Community Banks. On November 24, 2025, the OCC announced a series of supervisory and regulatory actions that build on the OCC's broader initiative to tailor risk-based supervision for smaller institutions and prioritize reforms aligned with the risk profiles of community banks.

In two BSA/AML-related bulletins, the OCC issued supplementary guidance clarifying how examiners should apply BSA/AML examination procedures at community banks. The guidance tailors the agency's approach based on the generally low money-laundering and terrorist-financing risk profiles of community banks, allowing examiners to rely on a bank's actual risk profile rather than minimum procedural baselines that may be disproportionate to the risks posed. The OCC also announced the discontinuation of its Money Laundering Risk (MLR) system data collection, eliminating a longstanding reporting requirement.

Separately, the OCC issued a request for information (RFI) seeking input on the challenges community banks face in working with core service providers and other essential third-party providers. The RFI reflects the OCC's concerns that structural barriers in the third-party-services market may impair community banks' competitiveness and operational resilience. Comments on the RFI are due by January 27, 2026.

- *Insights*. Similar to its October 6, 2025 announcement, the OCC's initiatives underscore again its continued commitment to regulatory tailoring for community banks and reflect an interagency recognition that one-size-fits-all regulation can disproportionately burden smaller institutions. The RFI on core service providers highlights a longstanding structural challenge: many community banks operate in a highly concentrated market for core service providers, limiting their negotiating leverage and constraining their ability to innovate. Attention to this issue could precede future guidance or rulemaking on third-party risk management, potentially reshaping expectations for both community banks and their vendors.

FDIC Issues Final Rule Adjusting and Indexing Certain Regulatory Thresholds. Consistent with broader initiatives aimed at reducing regulatory burden on smaller institutions, on November 25, 2025, the FDIC finalized amendments to adjust several regulatory thresholds across its regulations to reflect inflation and provide for future adjustments under an indexing methodology. The final rule affects six parts of the FDIC's regulations: Part 303 (filing procedures); Part 335 (securities of nonmember banks and state savings associations); Part 340 (restrictions on sale of assets by a failed institution by the FDIC); Part 347 (international banking); Part 363 (audit committee requirements); and Part 380 (orderly liquidation authority). The final rule becomes effective January 1, 2026.

With respect to Part 363 audit requirements, the FDIC clarified that insured depository institutions that have prospective filing and compliance requirements based on thresholds in place in 2025, but that will fall below the updated thresholds as of January 1, 2026, will not be required to comply with Part 363 requirements for the 2025 reporting cycle.

- *Insights*. Most notably, the proposed rulemaking adjusts specific thresholds in 12 C.F.R. Part 363, including those set forth in the table below. According to the FDIC, increasing Part 363's applicability threshold would result in approximately 780 fewer institutions being subject to Part 363. Raising specific Part 363 thresholds from $1 billion to $5 billion would benefit more than 700 institutions, many of whom should benefit from changes to the audit committee composition requirements and reduced audit costs. Institutions should be mindful that relief under Part 363 does not override: (i) applicable audit or audit committee composition requirements for state-chartered banks under state law; and (ii) audit committee requirements that apply to public companies or subsidiaries of public companies under federal securities laws and exchange listing standards. The indexing methodology incorporated into the final rule also signals that the FDIC intends for these thresholds to evolve over time, potentially reducing the need for future ad hoc adjustments. As a result, institutions near the revised thresholds should expect periodic updates and plan for governance and audit requirements to shift accordingly.

12 C.F.R. Part 363	**Subject**	**Current threshold**	**Amended threshold**
§ 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
Remaining thresholds in the Part 363 Guidelines will increase 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 will increase from $100,000 to $120,000 to align with the listing standards of national securities exchanges for purposes of making director independence determinations.			

OTHER NOTABLE ITEMS

OCC Clarifies Bank Authority to Engage in Certain Crypto-Related Activities. On November 18, 2025, the OCC issued Interpretive Letter No. 1186, confirming that national banks may hold crypto-assets as principal to pay network fees (gas fees) when needed to support otherwise permissible activities. The Interpretive Letter further authorizes banks to hold limited amounts of crypto-assets necessary to test internally developed or third-party crypto platforms before offering services to customers.

OCC Makes Public Supervisory Non-Objection Requests for Crypto Activities. The OCC published 21 supervisory non-objection requests, along with corresponding agency responses, where applicable, submitted by national banks seeking to engage in digital assets activities under the now-rescinded Interpretive Letter No. 1179. The summaries provide insight into the types of digital asset activities banks have explored and the supervisory considerations applied at the time.

Federal Reserve Extends Comment Period on Stress Test Transparency Proposal. On November 21, 2025, the Federal Reserve extended the comment period for its proposal to enhance transparency in supervisory stress test models and scenarios, moving the date from January 22, 2026 to February 21, 2026. The extension does not affect the separate December 1, 2025 deadline for comments on the proposed 2026 stress test scenarios.

Federal Reserve Board Publishes Financial Stability Report. On November 7, 2025, the Federal Reserve published its semi-annual *Financial Stability Report*. According to the Federal Reserve Bank of New York's industry survey, there was another moderate increase relative to its spring 2025 survey in the percentage of respondents citing risks emanating from policy uncertainty as their top risk to financial stability, with meaningful increases in the percentage of respondents citing geopolitical risks and the potential for elevated long-term interest rates as top risks to financial stability. Notably, the share of respondents identifying risks associated with AI-driven market sentiment surged, with about 30% naming AI-related sentiment among their top near-term concerns, signaling a new and significant source of financial stability risk.

Speech by Governor Miran on Stablecoins and Monetary Policy. On November 7, 2025, Federal Reserve Board Governor Stephen Miran delivered a speech titled "A Global Stablecoin Glut: Implications for Monetary Policy." In his speech, Miran argued that the rapid global growth of dollar-denominated stablecoins is increasing demand for U.S. Treasuries and other liquid dollar assets, a trend he cautioned could put downward pressure on the neutral interest rate (r*) with important implications for monetary policy. He emphasized that while he does not expect stablecoins to broadly draw deposits away from U.S. banks, he anticipates meaningful future stablecoin growth will come from foreign users and investors seeking dollar-based payment and savings instruments they cannot easily access in their home jurisdictions.

Speeches by Vice Chair Jefferson on AI. On November 7, 2025, Vice Chair Jefferson delivered a speech titled "AI and the Economy," and on November 21, 2025, delivered a speech titled "AI, the Economy, and Financial Stability," in which he argued that rapid advances in AI could materially reshape productivity, employment and inflation dynamics with important implications for the Federal Reserve's dual mandate. Across both speeches, he emphasized rising uncertainty about AI-driven structural change and highlighted growing concerns—reflected in the Federal Reserve's most recent Financial Stability Report—that shifts in sentiment around AI may increasingly influence market functioning and financial system resilience.

Speech by Governor Cook on Financial Stability. On November 20, 2025, Governor Lisa D. Cook delivered a speech titled "A Policymaker's View of Financial Stability." In her speech, Governor Cook stated that while the U.S. financial system remains broadly resilient, she identified several emerging vulnerabilities deserving close attention: elevated asset valuations, rapid growth of private credit markets and the growing role of hedge funds in the U.S. Treasury market.

Supreme Court Declines Expedited Review of Harper-Otsuka Removal Challenge. On November 24, 2025, the Supreme Court declined expedited review in the petition filed by former National Credit Union Administration Board members Todd Harper and Tanya Otsuka contesting their April 2025 removals. The Court's decision leaves the challenge pending before the U.S. Court of Appeals for the D.C. Circuit, where proceedings remain paused. The denial also places greater focus on *Trump v. Slaughter*, which the Court will hear in December. Although that case concerns removal protections for Federal Trade Commission officials, the Court's resolution is expected to address broader constitutional questions surrounding presidential authority to remove leaders of independent regulatory agencies.

CFPB Notifies Court it Cannot Lawfully Draw Funds from the Federal Reserve. On November 11, 2025, the Consumer Financial Protection Bureau (CFPB) filed a notice in *National Treasury Employees Union v. Vought* informing the court that the U.S. Department of Justice's (DOJ) Office of Legal Counsel has concluded the CFPB may not legally request further funds from the Federal Reserve under the statutory funding mechanism established by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The notice states that the agency expects to have sufficient resources to continue operations through at least December 31, 2025. Because of the funding limitation, news reports have indicated the CFPB reportedly plans to begin transferring its remaining enforcement litigation and pending cases to the DOJ starting in early 2026.

Acting Chairman Hill's Nomination Advances to Senate Floor. On November 19, 2025, the nomination of Acting Chairman Travis Hill to be the Chairman of the FDIC Board advanced out of the Senate Banking Committee.

FDIC Releases Public Sections of Six Banks' Informational Filings. On November 30, 2025, the FDIC released the public sections of informational filings for six large insured depository institutions.

FDIC Updates PPE List. On November 26, 2025, the FDIC announced an updated list (as of November 15, 2025) of companies that have submitted notices for a Primary Purpose Exception (PPE) under the 25% or Enabling Transactions test.

FRBNY's Teller Window Discusses the Federal Home Loan Bank System. On November 19, 2025, the Federal Reserve Bank of New York's *Teller Window* published an article titled "Understanding the Federal Home Loan Bank System: What It Is and Why It Matters."

FRBNY's *Liberty Street Economics* Blog Examines U.S. Banks' Nonbank Footprint. On November 18, 2025, the Federal Reserve Bank of New York published a *Liberty Street Economics* blog post titled "U.S. Banks Have Developed a Significant Nonbank Footprint," examining how U.S. banks have evolved from entities principally focused on taking deposits and making loans to diversified conglomerates incorporating a variety of nonbank activities. In a companion post titled "Banks Develop a Nonbank Footprint to Better Manage Liquidity Needs," the *Liberty Street Economics* blog examines an important driver of this evolution: the need to efficiently manage liquidity needs.

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

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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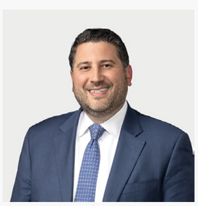

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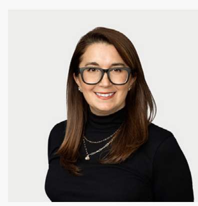

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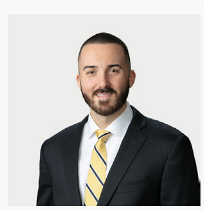

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