Monthly Bank Regulatory Report

April 2, 2026

We are pleased to provide you with the March 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), Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) issued three interrelated proposals to modernize the regulatory capital framework for banking organizations of all sizes. The first proposal (the Expanded Risk-Based Approach Proposal) would streamline risk-based capital requirements for Category I and II banking organizations by requiring them to calculate a single set of risk-based capital ratios using a new "expanded risk-based approach," eliminating the dual calculation requirement under the current standardized and advanced approaches. The second proposal (the Standardized Approach Proposal) would revise the standardized approach applicable to all other banking organizations to improve risk sensitivity while maintaining simplicity. The third proposal (the GSIB Surcharge Proposal) would improve the framework for determining GSIB surcharges by better aligning surcharges with systemic risk. The proposals carry distinct implications across bank categories: the Federal Reserve expects that Category I and II holding companies would see a cumulative 5.0% reduction in CET1 capital requirements (when combined with the GSIB Surcharge Proposal and October 2025 proposed stress test changes) and would no longer need to calculate two sets of risk-based capital ratios; Category III and IV firms would face new AOCI recognition requirements but benefit from a 3.0% net reduction in CET1 requirements; and smaller banking organizations would see capital requirements decrease by approximately 7.8%. Comments on all three proposals are due by June 18, 2026.

- The Federal Reserve, OCC, and FDIC jointly issued answers to frequently asked questions clarifying the regulatory capital treatment of "eligible tokenized securities," and confirming that the tokenized form of a security does not alter the capital treatment applicable to the underlying instrument.

- The OCC issued a final rule rescinding its recovery planning guidelines for large national banks, federal savings associations, and federal branches, determining that the guidelines were no longer necessary given existing supervisory and resolution planning frameworks. The final rule is effective May 1, 2026.

- The OCC issued two final rules to reduce the regulatory burden for community banks as part of its broader initiative "to tailor bank supervision and regulation to bank risk profile." The final rules (i) simplify licensing requirements for corporate activities and transactions involving community banks by establishing a new definition of "covered community bank or covered community savings association" and providing such institutions with access to currently available expedited or reduced filing procedures and (ii) rescind the OCC's Fair Housing Home Loan Data System regulation (12 CFR part 27). Both final rules are effective April 3, 2026.

- FDIC Chairman Hill previewed several potential reforms to the FDIC's supervisory and regulatory framework, including possible changes to consumer compliance supervision aimed at shifting away from a process-driven approach toward a greater focus on actual legal violations and consumer harm.

  - Hill indicated that the FDIC plans to clarify that payment stablecoins would not be eligible for pass-through deposit insurance, reflecting concerns that extending such coverage would be inconsistent with statutory limits and could create confusion regarding the nature of insured deposits.

  - Hill also previewed changes to the FDIC's bank resolution framework, including efforts to broaden the pool of potential acquirers of failed banks and facilitate more rapid transactions; in connection with these efforts, the FDIC rescinded its "Statement of Policy on Qualifications for Failed Bank Acquisitions," eliminating the 2009-era policy that imposed enhanced scrutiny on private equity investors and other private capital seeking to acquire failed banks.

- The Financial Stability Oversight Council (FSOC) proposed revised interpretive guidance for nonbank financial company designations that replaces the 2023 framework and reprioritizes an activities-based approach, reinstates and formalizes a cost-benefit analysis, and provides additional procedural constraints before any entity-specific designation.

DEEPER DIVES

Federal Banking Agencies Issue Capital Proposals to Implement Final Phase of Basel III and Modernize Capital Framework. As previewed in Vice Chair for Supervision Michelle Bowman's March 12, 2026 speech, the proposals result from a comprehensive, bottom-up review

of the capital framework and aim to ensure individual requirements are appropriate and do not result in unintended effects.

Expanded Risk-Based Approach for Category I and II Banking Organizations

The Expanded Risk-Based Approach Proposal would substantially revise the risk-based capital framework applicable to Category I and II banking organizations and to firms with significant trading activity. Currently, Category I and II banking organizations calculate two sets of risk-based capital ratios—one under the standardized approach and another under the internal models-based advanced approaches—and are bound by the more restrictive of the two. The proposal would replace this dual calculation requirement with a single "expanded risk-based approach" (ERBA), which would include standardized requirements for credit risk, equity risk, operational risk, market risk, and credit valuation adjustment (CVA) risk.

- Credit Risk. The ERBA would enhance risk sensitivity for credit exposures by introducing more granular risk weights that vary based on factors typically included in a bank's underwriting process. For residential real estate, risk weights would range from 20% to 150% based on underwriting standards, loan-to-value ratios, and whether the exposure is dependent on cash flows from the property. Corporate exposures would receive risk weights ranging from 65% to 150% depending on whether they are investment grade, project finance, or subordinated debt. The Expanded Risk-Based Approach Proposal would also expand the scope of exposures eligible for the 65% risk weight for investment-grade corporate exposures.

- Operational Risk. The proposal would introduce an explicit standardized operational risk capital requirement based on a banking organization's business volume. To improve risk sensitivity, the contribution of income and expenses arising from investment management, investment services, and non-lending treasury services would be reduced by 70% to reflect their historically lower operational risk as evidenced by operational loss data.

- Market Risk. The proposal would introduce a new risk-sensitive standardized measure and a revised models-based measure for market risk. The value-at-risk (VaR) based measure would be replaced with an expected shortfall-based measure to capture liquidity and tail risks. The standardized measure for market risk would serve as the default methodology, with banking organizations required to obtain supervisory approval to use the models-based approach at the trading desk level.

- CVA Risk. The proposal would include a risk-sensitive framework for capturing credit valuation adjustment risk for derivative exposures. Client-facing derivative transactions in connection with client-cleared transactions would be exempt from the CVA requirement.

- Mortgage Servicing Assets. The proposal would remove the requirement to deduct mortgage servicing assets (MSAs) above a threshold from regulatory capital. Instead, all MSAs would be subject to a 250% risk weight, eliminating a regulatory disincentive for residential mortgage servicing and origination.

- Capital Impact. The agencies estimate that ERBA would increase aggregate CET1 capital requirements for Category I and II holding companies by approximately 1.2% on a

standalone basis. This increase stems primarily from higher requirements for trading activities, mostly offset by decreased requirements for traditional lending activities.

- Optional Adoption. Other banking organizations would have the option to adopt the ERBA rather than the standardized approach, though they would also be required to adopt the capital definition applicable to Category I and II firms.

Standardized Approach Proposal

The agencies concurrently issued the Standardized Approach Proposal to revise the standardized approach applicable to banking organizations that do not use the ERBA or the community bank leverage ratio framework. The proposal is intended to better calibrate capital requirements for traditional lending activities while maintaining the simplicity of the current standardized approach.

Key changes include: (1) introducing loan-to-value based risk weights for residential mortgage exposures; (2) reducing the risk weight for corporate exposures from 100% to 95%; (3) reducing the risk weight for assets not specifically assigned a different risk weight from 100% to 90%; and (4) removing the threshold-based capital deduction for MSAs for all banking organizations, including those applying the community bank leverage ratio framework.

- AOCI Recognition. The proposal would require Category III and IV banking organizations to recognize most elements of AOCI in regulatory capital, consistent with the treatment applicable to Category I and II firms. A five-year transition period would allow these organizations to gradually phase in the effect of this recognition.

- Capital Impact. The agencies estimate that the standardized approach proposal would decrease aggregate CET1 capital requirements for Category III and IV holding companies by 3.0% (comprising a 6.1% decrease from revised risk weights and a 3.1% increase from AOCI recognition). For smaller holding companies with less than $100 billion in assets, CET1 capital requirements are expected to decrease by 7.8%.

GSIB Surcharge Proposal

The Federal Reserve separately issued the GSIB Surcharge Proposal to revise the framework for calculating risk-based capital surcharges for global systemically important bank holding companies. The proposal would modify several elements of the method 2 surcharge calculation to better align surcharges with systemic risk.

- Coefficient Adjustments. The proposal would apply a one-time downward adjustment to the fixed method 2 coefficients by a factor of 1.2 to reflect changes in the financial system and economy since the coefficients were originally calibrated. Going forward, the coefficients would be automatically indexed to nominal U.S. GDP growth to prevent surcharges from increasing due to factors unrelated to systemic risk, such as inflation and real economic growth.

- Short-Term Wholesale Funding. The proposal would remove the risk-weighted assets denominator from the short-term wholesale funding indicator and recalibrate its weighting to approximately 20% of total method 2 scores, consistent with the originally intended

calibration. Currently, short-term wholesale funding constitutes approximately 30% of aggregate method 2 scores across U.S. GSIBs.

- Data Averaging. To reduce incentives for temporary year-end adjustments to systemic indicators, the proposal would require firms to calculate certain indicators as an annual average of daily or monthly values rather than on a point-in-time basis at year-end.

- Narrower Score Bands. To reduce cliff effects and increase sensitivity to changes in a firm's systemic risk profile, the proposal would assign surcharges in increments of 10 basis points rather than 50 basis points.

- Capital Impact. The GSIB Surcharge Proposal is estimated to decrease GSIB surcharges by approximately 40 basis points, on average, relative to the baseline. The reduction is primarily attributable to the coefficient adjustments and revisions to the short-term wholesale funding score calculation.

Insights. The proposals collectively represent an expected, but significant, recalibration of the post-financial crisis regulatory capital framework. Banks should begin assessing the proposals' implications for capital planning, business strategy, and competitive positioning. The proposals could benefit traditional lending activities, like residential mortgages and investment-grade corporate lending, while increasing requirements for trading activities. Institutions currently subject to the advanced approaches should evaluate the shift to standardized methodologies across credit, operational, and CVA risk. Category III and IV banking organizations should assess the impact of mandatory AOCI recognition and develop strategies to manage interest rate risk in their securities portfolios. GSIBs should evaluate how the method 2 coefficient adjustments, short-term wholesale funding recalibration, and data averaging requirements would affect their surcharge calculations and capital planning processes. The extended comment period through June 18, 2026 provides an opportunity for meaningful stakeholder engagement on calibration considerations and implementation concerns.

Federal Banking Agencies Clarify Capital Treatment of Tokenized Securities. On March 5, 2026, the Federal Reserve, OCC, and FDIC jointly issued answers to frequently asked questions (FAQs) clarifying the capital treatment of "eligible tokenized securities." The FAQs confirm that the use of blockchain or distributed ledger technology to represent a security in tokenized form does not alter the capital treatment that would otherwise apply to the non-tokenized form of the security. Under the agencies' FAQs, a tokenized security should be assigned the same risk weight and receive the same capital treatment as the non-tokenized version of the same or substantially similar instrument. For example, a tokenized U.S. Treasury security would receive the same zero percent risk weight applicable to direct holdings of U.S. Treasuries, and a tokenized corporate bond would be subject to the same risk weight as the non-tokenized corporate bond. The statement also clarifies that this treatment applies regardless of the specific blockchain or distributed ledger platform used for tokenization, provided the tokenized instrument retains the legal and economic characteristics of the underlying security.

- *Insights*. The joint statement provides important clarity for institutions evaluating participation in tokenized securities markets by confirming that the form of representation—tokenized versus traditional—does *not* alter capital treatment. This guidance may reduce a perceived regulatory barrier to bank engagement with tokenized

Treasury securities and other tokenized instruments, aligning capital treatment with economic substance rather than technological form. However, banks should note that the statement is limited to capital treatment and does not address other regulatory considerations, including custody arrangements, operational risk management, and compliance with applicable securities laws. Institutions should continue to evaluate tokenized securities activities holistically, considering not only capital requirements but also operational, legal, and supervisory risk dimensions.

OCC Issues Final Rule to Rescind Recovery Planning Guidelines. On March 31, 2026, the OCC issued a final rule rescinding its recovery planning guidelines (12 C.F.R. Part 30, Appendix E), which had applied to large insured national banks, federal savings associations, and federal branches with average total consolidated assets of $100 billion or more. In the preamble to the final rule, the OCC explained that the recovery planning guidelines, originally adopted in 2016, were designed to ensure that covered institutions maintained plans to restore financial strength and viability if the institution experienced significant financial distress. However, the OCC determined that the guidelines had become duplicative of other supervisory and regulatory requirements, including resolution planning requirements under Section 165(d) of the Dodd-Frank Act and the FDIC's insured depository institution resolution planning requirements. The OCC further noted that recovery planning expectations can continue to be addressed through the normal supervisory process without the need for separate, standalone guidelines. The final rule is effective May 1, 2026.

- *Insights*. The rescission of the recovery planning guidelines reinforces the trend toward reducing duplicative regulatory requirements and consolidating supervisory expectations. Institutions previously subject to the guidelines should not interpret the rescission as an elimination of supervisory focus on recovery and contingency planning; rather, such expectations will be addressed through existing capital planning, stress testing, and supervisory processes. Banks should continue to maintain robust contingency planning frameworks and ensure that internal recovery strategies are integrated with broader enterprise risk management and capital planning processes. The rescission may provide some operational relief by eliminating the need to maintain a separate recovery planning compliance infrastructure, but institutions should engage with supervisors to understand ongoing expectations.

OCC Issues Final Rules to Reduce Regulatory Burden for Community Banks. On March 3, 2026, the OCC finalized amendments to its licensing regulations (12 CFR part 5) to simplify licensing requirements for corporate activities and transactions involving national banks and federal savings associations with less than $30 billion in total assets. The final rule establishes a new definition of "covered community bank or covered community savings association" to provide such institutions access to all currently available expedited or reduced filing procedures. Under the final rule, a national bank or federal savings association qualifies as a "covered community bank or covered community savings association" if it: (1) has less than $30 billion in total assets and is not an affiliate of a depository institution or foreign bank with $30 billion or more in total assets; (2) is "well capitalized" as defined in 12 CFR 5.3; and (3) is not subject to a cease and desist order, consent order, or formal written agreement that requires action to improve the institution's financial condition, unless otherwise informed in writing by the OCC. The $30 billion

total asset threshold is consistent with the OCC's recently announced Community Bank group, which supervises institutions within that asset threshold.

The final rule extends existing expedited or reduced filing procedures for "eligible banks" and "eligible savings associations" to covered community banks and covered community savings associations across thirteen types of filings, including charter applications, conversions, establishment or relocation of branches, business combinations, capital changes, and applications for subordinated debt and capital distributions. The OCC explained that applications by community national banks and community federal savings associations generally present low levels of risk, comparable to those by eligible banks and eligible savings associations, and thus should also benefit from expedited or reduced filing procedures. The final rule also clarifies that the OCC considers a public comment to raise a "significant" concern—warranting extension of expedited review or removal of a filing from expedited review—only if the facts are previously unknown to the OCC and, if proven accurate, would support denying or imposing a condition on approval of the filing. The OCC concurrently finalized the rescission of its Fair Housing Home Loan Data System regulation (12 CFR part 27), determining that the regulation is obsolete and largely duplicative of Home Mortgage Disclosure Act (HMDA) requirements. Both final rules are effective April 3, 2026.

- *Insights*. The rule aligns with the OCC's broader tailoring initiatives and should be read alongside related guidance on examination frequency, model risk management, and supervisory practices for community banks. In that connection, the community bank licensing amendments represent a meaningful reduction in regulatory burden for qualifying institutions. Community banks that meet the eligibility criteria should evaluate whether corporate activities or transactions previously subject to full application requirements may now qualify for expedited or reduced filing procedures. The final rule's aggregation of affiliate assets means that community banks affiliated with larger banking organizations will not benefit from the relief. Institutions should also note that the OCC retains discretion to extend expedited review periods or remove filings from expedited review where warranted, particularly in response to public comments that raise significant supervisory, CRA, or compliance concerns. The rescission of part 27 eliminates a longstanding source of regulatory asymmetry between national banks and other depository institutions. National banks engaged in residential mortgage lending should evaluate their data collection and recordkeeping practices to identify any processes that were maintained solely to comply with part 27 to determine if those practices may be discontinued or streamlined. Institutions should continue to ensure compliance with HMDA and other applicable fair lending data collection requirements, which remain in effect.

FDIC Chairman Hill Previews Reforms to Supervisory and Regulatory Framework. On March 11, 2026, FDIC Chairman Travis Hill delivered a speech titled "An Update on Reforms to the Regulatory Toolkit" at the American Bankers Association Washington Summit, previewing a series of forthcoming reforms to the FDIC's supervisory and regulatory framework.

- Consumer Compliance Supervision. Chairman Hill announced that the FDIC plans to pursue additional changes to its consumer compliance supervision program in the coming weeks and months. He noted that the current process continues to be "highly process-

driven," with significant focus on compliance management systems and considerable emphasis on policies, procedures, and training rather than on actual outcomes. The FDIC's goal is to reorient its focus "more towards noncompliance with laws and regulations, and actual harm to consumers, as opposed to policies and procedures, training, and other process-related considerations." Hill also indicated that the FDIC plans to address the breadth of compliance examinations, noting that pre-examination scoping often involves voluminous and broad questions, including questions related to consumer laws for which the FDIC does not have supervisory authority. For smaller banks, the FDIC will look at doing more to risk-focus examinations by concentrating on products material to an institution's business. Additionally, Chairman Hill stated that the FDIC plans to explore guardrails around the use of "visitations" outside of the specified examination cycle, so that they are used only in rare circumstances. He also noted the need to increase dollar thresholds that dictate the severity of violations, observing that the highest, most severe violations currently are those resulting in aggregate consumer harm of more than $10,000.

- Payment Stablecoins and Pass-Through Deposit Insurance. Chairman Hill indicated that the FDIC plans to clarify that payment stablecoins would not be eligible for pass-through deposit insurance. He explained that treating stablecoin holders as insured depositors, even on a pass-through basis, seems inconsistent with the GENIUS Act's prohibition on payment stablecoins being "subject to Federal deposit insurance." Additionally, because the GENIUS Act prohibits marketing stablecoins as subject to deposit insurance, Hill suggested it is difficult to rationalize that stablecoins were intended to serve as an access mechanism for FDIC-insured deposit accounts. The FDIC is particularly interested in comments on this aspect of the proposal, and Hill noted the agency is "open to hearing different perspectives on this issue" but believes the question should be answered definitively by regulation rather than waiting until a bank holding stablecoin reserves fails.

- Bank Resolution Framework. Chairman Hill previewed changes to the FDIC's bank resolution framework intended to broaden the pool of potential acquirers of failed banks and facilitate more rapid transactions. In that connection, on March 19, 2026, the FDIC rescinded its "Statement of Policy on Qualifications for Failed Bank Acquisitions," eliminating the 2009-era policy that imposed enhanced scrutiny on private equity investors and other private capital seeking to acquire failed banks. In his speech, Hill emphasized that rescinding the guidance would remove a barrier to nonbanks engaging in the bidding process for failed institutions, which can ultimately reduce the cost of failures to the Deposit Insurance Fund and increase the likelihood of a stabilizing resolution outcome. Additionally, he signaled the FDIC is exploring with other banking agencies the possibility of establishing an emergency exception that would enable a nonbank to rapidly establish a shelf charter to bid on a failed institution following a sudden failure. Hill noted that the current shelf charter process can take months or years as it includes approvals for a charter, deposit insurance, and in some cases a bank holding company.

Insights. Chairman Hill's remarks signal a continued shift in regulatory posture at the FDIC. Institutions should anticipate a shift in consumer compliance examinations toward outcomes-based supervision rather than process-focused reviews, which may warrant reevaluation of internal compliance structures and examination preparation strategies. The FDIC's planned clarification that payment stablecoins are ineligible for pass-through deposit insurance may have

significant implications for stablecoin reserve arrangements and issuer business models. The rescission of the 2009 failed bank acquisition policy removes longstanding barriers to private capital participation in failed bank transactions and may expand the universe of potential acquirers in future bank failures—potentially facilitating faster, more cost-effective resolutions. Institutions and investors interested in failed bank acquisitions should monitor the FDIC's forthcoming shelf charter proposal and assess how the revised framework may create new opportunities for participation in the resolution process.

FSOC Proposes Revised Guidance on Nonbank Financial Company Designations. On March 25, 2026, the FSOC proposed new interpretive guidance that would replace its 2023 framework for nonbank financial company designations under Section 113 of the Dodd-Frank Act. Key changes include: (i) reestablishing an activities-based approach as the primary method for addressing systemic risk, with entity-specific designations used only as a last resort when risks cannot be adequately addressed through an activities-based approach; (ii) requiring a cost-benefit analysis before any designation, under which FSOC would proceed only if expected benefits to financial stability justify expected costs; (iii) restoring the assessment of the likelihood of a company's material financial distress as part of evaluating designation benefits; (iv) raising the threshold for what constitutes a "threat to the financial stability of the United States" to mean impairment sufficient to inflict "severe damage" on the broader economy, a higher standard than the 2023 framework's "substantial impairment" test; (v) adding economic growth and economic security as considerations when identifying potential risks; and (vi) establishing a new pre-designation procedural step requiring FSOC to identify remediation steps a company or regulators could take to address potential threats, with an expectation that material risks be addressed within 180 days. The proposed guidance would also consolidate the 2023 Interpretive Guidance and 2023 Analytic Framework into a single document. Comments on the proposal are due by May 14, 2026.

- *Insights*. The proposed guidance represents a significant recalibration of FSOC's approach to nonbank systemic risk (or a reversion to the 2019 Guidance), shifting decisively toward an activities-based framework that prioritizes coordination with primary regulators over entity-specific designations. For large nonbank financial companies, asset managers, insurers, and other institutions that may have faced designation risk under the 2023 framework, the proposed guidance substantially raises the bar for entity-specific action by requiring cost-benefit analysis, restoring the likelihood-of-distress assessment, and adopting the more demanding "severe damage" threshold. The 180-day remediation process also provides companies with an opportunity to address identified risks before FSOC proceeds toward designation. However, nonbank financial companies should not assume designation risk has been eliminated entirely; FSOC retains authority to designate entities when activities-based measures prove insufficient, and the proposed guidance preserves the two statutory pathways for designation (material financial distress and activities-based threats). Institutions potentially within FSOC's purview should engage constructively during the comment period to shape the final guidance and should continue to monitor FSOC's activities-based work on potential systemic risks in their sectors.

OTHER NOTABLE ITEMS

Statement by Comptroller of the Currency Gould at FSOC Meeting. Comptroller of the Currency Jonathan V. Gould delivered remarks at the March 25, 2026 FSOC meeting regarding the proposed nonbank designation framework. Gould supported an activities-based approach that addresses risks at their source before resorting to entity-specific designations and emphasized the need for cost-benefit analysis and a clear likelihood-of-distress standard. He also highlighted the importance of a more transparent framework, including defined off-ramps from designation, to ensure actions are appropriately targeted to genuine systemic risks.

Remarks by Governor Barr on Stablecoins. On March 31, 2026, Federal Reserve Board Governor Michael Barr delivered remarks addressing the regulatory framework for payment stablecoins and banks' involvement in stablecoin-related activities. Barr noted that the GENIUS Act provides needed clarity to stablecoin issuers and that increased regulatory certainty could lead to more rapid stablecoin development. He identified two key areas of concern: (i) the potential for stablecoin use in money laundering or terrorist financing, particularly through secondary market purchases without customer identification requirements; and (ii) financial stability risks arising from the quality and liquidity of reserve assets backing stablecoins. Drawing on historical parallels, including the Free Banking Era, the Panic of 1907, and modern money market fund runs, Barr emphasized that stablecoins will be stable only if they can be reliably redeemed at par during market stress. He noted that while the GENIUS Act limits permissible reserve assets to high-quality, highly liquid instruments, success will depend on regulatory implementation, including reserve asset regulation, capital and liquidity requirements, anti-money-laundering controls, and consumer protection requirements.

Speech by Vice Chair for Supervision Bowman on Small Business Lending. On March 31, 2026, Vice Chair for Supervision Michelle Bowman delivered remarks on small business lending and capital requirements. In her remarks, Bowman explained that the agencies' recently published Basel III and standardized approach proposals would make three key changes to small business loan treatment: (i) reducing the risk weight from 100% to 65% for small business loans exceeding $1 million to borrowers considered investment grade; (ii) reducing the risk weight from 100% to 75% for small business loans under $1 million; and (iii) providing capital treatment for small business credit cards that is more aligned with actual risk, relying more heavily on repayment history. Bowman emphasized that stakeholder feedback during the comment period is critical to ensuring these regulations support rather than restrict lending to small businesses.

Speech by Vice Chair for Supervision Bowman on Basel III and Bank Capital Rules. On March 12, 2026, Vice Chair for Supervision Michelle Bowman delivered a speech titled "Capital Rules for the Real Economy," addressing forthcoming proposals to implement the final phase of Basel III in the United States. In her speech, Bowman emphasized that the agencies took a "bottom-up" approach, evaluating each requirement on its merits rather than working backward from an aggregate target, to ensure requirements are properly calibrated to risk, and outlined proposals to modify each of the four pillars of the regulatory capital framework for the largest banks: stress testing, the supplementary leverage ratio, the Basel III framework for risk-based capital requirements, and the GSIB surcharge.

Speech by Vice Chair for Supervision Bowman on Liquidity. On March 3, 2026, Vice Chair for Supervision Michelle Bowman delivered a speech titled "Liquidity Resiliency, Financial Stability, and the Role of the Federal Reserve." In her speech, Bowman reviewed the current prudential liquidity framework's three main components—the liquidity coverage ratio (LCR), net stable funding ratio (NSFR), and internal liquidity stress testing (ILST)—and questioned whether compliance with these requirements actually translates into resilience under stress. She identified what she described as two key problems with the current framework: during normal times, banks over-allocate to high-quality liquid assets (HQLAs) because they must demonstrate that liquidity needs can be met with balance sheet resources alone, reducing lending capacity; during stress, banks are reluctant to draw down HQLAs out of concern about falling below minimum LCR thresholds, making the buffer effectively unusable and exacerbating pro-cyclical behavior. Bowman also addressed the Federal Reserve's discount window, noting that banks avoid using it even in times of stress due to stigma arising from weekly aggregate disclosure, above-market interest rates, and market interpretation of any usage as a sign of fragility. She called for fundamental reform to allow the discount window to function as a reliable liquidity backstop, and noted that the current fragmentation across the 12 Reserve Banks, each of which maintains independent rules, processes, and lending decisions, creates uncertainty and may exacerbate banking system fragilities.

Testimony by Director Guynn on Innovation. On March 26, 2026, Randall D. Guynn, Director of the Federal Reserve Board's Division of Supervision and Regulation, delivered testimony before the Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence of the House Financial Services Committee. In his testimony, Guynn highlighted recent actions to facilitate bank engagement with digital assets, including rescinding crypto-related supervisory letters, sunsetting the novel activities supervision program, and issuing joint guidance on crypto custody and tokenized securities. Looking ahead, Guynn stated the Federal Reserve is considering how to provide additional clarity for banks engaged in digital asset activities and is coordinating with the other banking agencies on regulations to implement the GENIUS Act. On third-party relationships, Guynn noted the Federal Reserve will continue to explore options to ensure banks have regulatory and supervisory clarity in their engagements with fintechs. He also emphasized the Federal Reserve's commitment to supervisory transparency, highlighting the public release of supervisory operating principles in November 2025 and operating manuals for supervising the largest banking organizations in January 2026.

FDIC Testimony on Innovation and Technology. On March 26, 2026, Ryan Billingsley, Director of the FDIC's Division of Risk Management Supervision, delivered testimony before the Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence of the House Financial Services Committee. In his testimony, Billingsley emphasized the FDIC's commitment to supporting responsible innovation while maintaining its core mandates of safety and soundness, depositor protection, and financial stability. Billingsley highlighted three priorities relevant to banks engaging with emerging technologies: (i) the FDIC is supporting bank experimentation with new technologies without requiring extensive prior supervisory involvement; (ii) the agency is considering whether additional guidance on permissible crypto-related activities would benefit supervised banks; and (iii) following enactment of the GENIUS Act in July 2025, which established the FDIC as the primary federal regulator for payment stablecoin issuers that are subsidiaries of FDIC-supervised institutions, the FDIC issued a proposed application framework in

December 2025 and expects to soon propose tailored prudential requirements for stablecoin issuers.

FDIC Updates PPE List. On March 24, 2026, the FDIC released an updated list (as of March 15, 2026) of companies that have submitted notices for a Primary Purpose Exception (PPE) under the 25% or Enabling Transactions test.

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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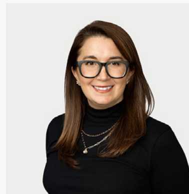

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