

A photograph of a large, classical-style building with a portico supported by columns. An American flag and another flag are flying on a tall pole in front of the building. The sky is blue with a few clouds.

# GIBSON DUNN

## Monthly Bank Regulatory Report

May 1, 2026

*We are pleased to provide you with the April 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 FDIC [issued](#) a proposed rule to implement prudential requirements under the GENIUS Act for FDIC-supervised permitted payment stablecoin issuers (PPSIs). The proposed rule would clarify that reserves backing payment stablecoins are not eligible for pass-through deposit insurance. Comments are due by June 9, 2026.
- FinCEN and OFAC jointly [issued](#) a proposed rule to implement the AML and sanctions compliance program requirements of the GENIUS Act. Comments are due by June 9, 2026.
- FinCEN, in coordination with the federal banking agencies, [issued](#) a proposed rule to “fundamentally reform” AML/CFT programs, including new supervisory coordination requirements that would require regulators to provide FinCEN at least 30 days’ advance written notice before any “significant supervisory action.” Comments are due by June 9, 2026. For additional information, see our [Client Alert](#).
- The Federal Reserve, OCC, and FDIC [issued](#) updated interagency guidance on model risk management superseding and replacing prior guidance. The new framework emphasizes a risk-based approach, tailoring expectations to a bank’s size, complexity, and model risk profile. The updated guidance explicitly excludes generative AI and agentic AI models from its scope.

- The OCC issued (i) an [interim final order](#) to preempt the Illinois Interchange Fee Prohibition Act and (ii) an [interim final rule](#) clarifying national banks' power to charge non-interest charges and fees, including interchange fees from credit and debit card operations.
- The OCC and FDIC formalized prior actions prohibiting the use of reputation risk in bank supervision, [finalizing](#) their rule to prohibit the agencies from criticizing or taking adverse action against an institution on the basis of reputation risk. The final rule is effective June 9, 2026.
- The Federal Reserve, OCC, and FDIC [finalized](#) their rule lowering the community bank leverage ratio from 9% to 8% and extending the grace period from two quarters to four quarters for a community bank that temporarily falls out of compliance.
- The Federal Reserve [proposed](#) amendments to Regulation J to permit FedNow participants to use intermediaries other than Federal Reserve Banks, enabling participants to leverage FedNow for the U.S. domestic portion of cross-border transactions. Comments are due by June 9, 2026.

## DEEPER DIVES

**FDIC Proposes Comprehensive Stablecoin Framework to Implement the GENIUS Act.** On April 10, 2026, the FDIC [issued](#) proposed rule (FDIC Proposal) to implement certain requirements under the GENIUS Act for subsidiaries of FDIC-insured state-chartered nonmember banks and state savings associations. The FDIC Proposal would establish requirements related to reserve assets, capital, liquidity, and risk management, while also clarifying deposit insurance coverage for deposits held as reserve assets and the treatment of tokenized deposits. The FDIC Proposal contains a comprehensive set of targeted requests for comment (144 discrete questions with multiple subparts) spanning all aspects of the FDIC Proposal. Comments on the FDIC Proposal are due by June 9, 2026.

The FDIC Proposal follows the OCC's March 2, 2026 [proposal](#) (the OCC Proposal) for entities under the OCC's jurisdiction. The FDIC acknowledges its coordination with the OCC and notes that it has "endeavored" to align its proposal with the OCC Proposal in many areas, while also seeking comment on whether the primary federal regulators should further align their final rules. For additional information on the OCC Proposal, see our [Client Alert](#).

The FDIC Proposal also follows the FDIC's December 19, 2025 proposal to establish procedures for FDIC-supervised insured depository institutions to obtain approval to issue permitted payment stablecoins through a subsidiary. On February 6, 2026, the FDIC [announced](#) a 90-day extension on that proposal extending the comment period from February 17, 2026, to May 18, 2026.

The FDIC Proposal generally aligns with the OCC Proposal on most substantive requirements. However, the proposals diverge in certain notable respects, including:

- Reserve Asset Diversification and Concentration.* The FDIC proposes a straightforward concentration limit requiring that a permitted payment stablecoin issuer (PPSI) limit its exposure to any one eligible financial institution to no more than 40% of its reserve assets on each business day, regardless of type of reserve asset. The OCC Proposal would establish a more detailed framework with two alternative options: a principles-based safe harbor (Option A) or mandatory requirements (Option B), each including daily liquidity minimums (10%), weekly liquidity minimums (30%), a 40% concentration limit per institution, and a weighted average maturity of no more than 20 days. The OCC Proposal would also require large PPSIs (with outstanding issuance value of \$25 billion or more) to maintain at least 0.5% of reserve assets (up to \$500 million) in insured deposits or insured shares.
- Significant Redemption Requests.* Both proposals use a 10% threshold over a 24-hour period to define a “significant redemption request.” However, the approaches to extending the standard two-business-day redemption period differ: the FDIC Proposal would require a PPSI to provide immediate notice and request a discretionary extension from the FDIC; the OCC Proposal would provide for an automatic extension to seven calendar days when the threshold is triggered, without requiring case-by-case approval.
- Reserve Asset Failure Grace Period.* If a PPSI fails to maintain the required 1:1 reserve backing, the FDIC proposes a discretionary approach where the PPSI must notify the FDIC in writing with a description of measures to be taken under a required restoration plan, and the FDIC may then direct the PPSI to suspend or reduce issuance, take corrective measures to restore reserves, or begin orderly redemption. The OCC, by contrast, immediately bars new issuance and provides a 15 business day grace period before mandatory liquidation begins, subject to extension by the OCC in its sole discretion. The OCC may also separately require a compliance plan or order redemption if it determines the issuer has not demonstrated compliance with reserve requirements.
- Multiple Brands and Co-Branding.* The FDIC Proposal would permit a PPSI to issue multiple brands of payment stablecoins but would require the PPSI to maintain segregated pools of reserve assets for each brand, separately identified and recorded, unless the FDIC provides prior written approval to commingle reserves. Monthly reporting would also be required for each brand. The OCC Proposal also permits multi-brand issuances but explicitly requests comment on whether they should, instead, prohibit multi-brand issuance entirely, citing both benefits (leveraging expertise, white-label arrangements) and risks (uncertainty about reserves, contagion and run risk), and considers an alternative of requiring separate legal entities for each brand with streamlined approval for affiliates.
- Consequences of Failure to Meet Capital or Operational Backstop Requirements.* The two proposals take meaningfully different approaches to consequences when a PPSI fails to meet minimum capital or operational backstop requirements. The OCC Proposal imposes automatic, tiered consequences: a PPSI that fails to satisfy its capital or backstop requirement at the end of a quarter is immediately prohibited from issuing new stablecoins (on a net basis) starting the first day of the following month. If the PPSI fails to meet these requirements for two consecutive quarters, it must begin mandatory

liquidation and redemption, and may not issue any new stablecoins going forward or charge redemption fees.

By contrast, the FDIC Proposal relies on a discretionary approach: a PPSI that fails to satisfy its capital or backstop requirement at the end of a quarter must notify the FDIC in writing with a description of proposed remediation measures, and the FDIC may, in its sole discretion, direct the issuer to issue additional capital instruments, suspend or reduce issuance, take other restorative measures, or execute an orderly redemption. The FDIC does not impose automatic consequences or a mandatory liquidation trigger after two consecutive quarters of noncompliance, though it seeks comment on whether it should.

The FDIC Proposal includes clarifications regarding deposit insurance that are unique to the FDIC's jurisdiction.

- *No Pass-Through Insurance.* The FDIC Proposal would amend the deposit insurance coverage rules applicable to all FDIC-insured depository institutions by clarifying that deposits held as reserves backing a payment stablecoin would be insured to the PPSI under the FDIC's coverage rules for corporate deposits, but would not be insured to payment stablecoin holders on a pass-through basis. The FDIC reasons that treating payment stablecoin holders as the insured depositors on a pass-through basis would be inconsistent with the GENIUS Act's prohibition that payment stablecoins "shall not be backed by the full faith and credit of the United States" and shall not be "subject to deposit insurance by the Federal Deposit Insurance Corporation." Under the FDIC's deposit insurance rules for corporate accounts, all deposits maintained by a PPSI at an insured depository institution would be added together and insured up to the standard maximum deposit insurance amount (currently \$250,000) in the aggregate, regardless of whether those deposits consist of reserves backing payment stablecoins or serve other purposes. The FDIC Proposal includes six questions on the deposit insurance coverage proposal.
- *Tokenized Deposits.* Consistent with the GENIUS Act, the FDIC Proposal specifically clarifies that tokenized deposits (*i.e.*, deposits in tokenized form recorded using distributed ledger technology) remain deposits for purposes of the Federal Deposit Insurance Act, including the applicability of deposit insurance.

*Insights.* The FDIC Proposal provides relative alignment with the OCC Proposal for institutions considering stablecoin activities, though there are a few key differences and inconsistencies that should be considered holistically and harmonized prior to issuing final rules. Institutions should carefully evaluate the FDIC Proposal's reserve diversification limits, redemption timing requirements, and the implications of the FDIC's position on pass-through deposit insurance for reserve arrangements and business models. The FDIC Proposal's clarification that stablecoin holders are not insured depositors—even on a pass-through basis—may have significant implications for how PPSIs structure their reserve arrangements and market their products. In particular, it calls into question the viability and cost of the OCC Proposal's requirement that large PPSIs maintain at least 0.5% of reserve assets (up to \$500 million) in insured deposits. The 60-day comment period provides an opportunity to engage on these and other open issues.

**Federal Banking Agencies Issue Updated Interagency Guidance on Model Risk Management.** On April 17, 2026, the Federal Reserve, OCC, and FDIC [issued](#) updated interagency guidance on model risk management, rescinding the 2011 guidance and related issuances. The revised framework adopts a more principles-based, risk-calibrated approach, tailored to a banking organization's size, complexity, and model risk profile. The guidance outlines core principles across model development and use, validation and monitoring, governance and controls, and third-party/vendor risk management, emphasizing that practices should be commensurate with each institution's risk profile.

Key changes include: (1) noting that the guidance is expected to be most relevant to banking organizations with more than \$30 billion in total assets, while remaining relevant to smaller institutions with material model risk; (2) narrowing the definition of a "model" to "a *complex* quantitative method, system, or approach that applies statistical, economic, or financial theories to process input into quantitative estimates" (emphasis added); (3) clarifying that the guidance does not create enforceable standards or prescriptive requirements, and that non-compliance alone will not result in supervisory criticism; (4) streamlining expectations for how banking organizations should approach validation of vendor and third-party models; and (5) rescinding prior related issuances, including the OCC's Model Risk Management booklet, the 2021 interagency statement on model risk management for BSA/AML systems, and related examination guidance.

The agencies explicitly exclude generative AI and agentic AI models from the scope of this guidance and noted that a banking organization's risk management and governance practices should guide the determination of appropriate governance and controls for any such tools, processes, or systems. The agencies also announced plans to issue a request for information on model risk management and banks' use of AI, including generative and agentic AI.

- *Insights.* The guidance marks a significant shift from the prescriptive SR 11-7 framework to a principles-based, risk-calibrated approach, giving large institutions substantially more discretion to tailor model risk management and potentially streamline validation and governance processes. In particular, the narrowed definition of a model, excluding simple arithmetic calculations, should reduce the number of tools and systems that banking organizations previously scoped into their model framework. That flexibility, however, comes with increased uncertainty and firms will need to defend their frameworks without clear regulatory benchmarks, perhaps resulting in supervisory expectations that are less predictable and more examiner-dependent. While the guidance reduces prescriptive requirements, supervisory focus is likely to remain anchored on model risk that drives material financial, prudential, or consumer outcomes. Consistent with historical practice, deficiencies are most likely to draw scrutiny where they affect decision-making, risk measurement, or capital, rather than for technical non-compliance alone. Notably, the explicit exclusion of generative and agentic AI creates a near-term regulatory gap for the most rapidly growing model class, with further rulemaking expected. In practice, larger institutions should expect continued scrutiny around AI and third-party models even as the formal framework becomes less prescriptive.

**Federal Reserve Proposes FedNow Amendments for Cross-Border Payments.** On April 10, 2026, the Federal Reserve [proposed](#) amendments to Regulation J to permit FedNow participants to use intermediaries other than Federal Reserve Banks when sending funds transfers through the FedNow Service. Under the current framework, FedNow payments are effectively limited to domestic transactions because they may include only the sending and receiving banks, with no ability to route through correspondents. The proposal would allow a FedNow participant to send a payment to another participant acting as an intermediary, which can then route the payment onward through correspondent banking networks for the international portion of a transaction. This change would enable FedNow to be used for the U.S. leg of cross-border payments and aligns the service more closely with the Fedwire Funds Service, which has long permitted intermediaries. The proposal does not expand access to FedNow or change how payments are settled between participants. Regulation J's immediate funds-availability requirement would continue to apply only when a FedNow participant acts as the beneficiary's bank, not when it acts as an intermediary. As a result, while the U.S. portion of a cross-border payment may settle in real time, funds availability for the ultimate recipient would continue to depend on downstream payment arrangements. Comments on the proposed amendments are due by June 9, 2026.

- *Insights.* The proposal effectively converts FedNow from a strictly domestic, endpoint-only rail into a modular settlement layer that can be embedded within cross-border payment flows, allowing banks to combine instant U.S. settlement with existing correspondent banking networks. The primary beneficiaries are large banks with established correspondent infrastructure, which can act as intermediaries and liquidity hubs. Importantly, the proposal does not create end-to-end instant cross-border payments. While the U.S. leg can settle in real time, the international leg continues to rely on traditional correspondent banking, and Regulation J's immediate funds-availability requirement applies only where a FedNow participant is the beneficiary's bank—not where it acts as an intermediary. As a result, funds may be final at the intermediary level but not immediately available to the ultimate recipient, limiting the practical impact on customer experience. From a risk and operational perspective, the proposal effectively extends the correspondent banking model into a real-time domestic environment, which may compress timelines for liquidity management, AML/sanctions screening, and exception handling, even if the underlying risk profile is not fundamentally new. In practice, the change is best understood as an incremental infrastructure improvement—enhancing speed and flexibility for the U.S. portion of cross-border payments—rather than a transformation of cross-border settlement itself.

## OTHER NOTABLE ITEMS

**Treasury Proposes Rule to Implement the GENIUS Act's AML and Sanctions Compliance Requirements.** On April 8, 2026, FinCEN and OFAC [issued](#) a proposed rule to implement the GENIUS Act's anti-money laundering and sanctions compliance program requirements. Under the proposal, permitted payment stablecoin issuers (PPSIs) would be required to establish and maintain risk-based AML/CFT programs, implement customer identification and due diligence procedures, conduct ongoing transaction monitoring, file Suspicious Activity Reports (SARs), and deploy sanctions screening and blocking capabilities consistent with OFAC requirements, including for on-chain transactions and wallet activity. Comments on the proposal are due by June 9, 2026.

**OCC Issues Interim Final Order and Interim Final Rule Addressing Illinois Interchange Fee Prohibition Act.** On April 24, 2026, the OCC [issued](#) an interim final order preempting the Illinois Interchange Fee Prohibition Act (IFPA) as applied to national banks and Federal savings associations. The IFPA prohibits charging interchange fees on the tax and gratuity portions of payment card transactions and restricts the use of transaction data. The order is intended to be effective immediately ahead of the IFPA's July 1, 2026 effective date. Applying the *Barnett Bank* standard as reaffirmed in *Cantero v. Bank of America* (2024), the OCC concluded that both provisions prevent or significantly interfere with national banks' exercise of their federal powers, including the power to charge fees for payment card services and to use transaction data for fraud detection and risk management. Concurrently, the OCC [issued](#) an interim final rule amending 12 CFR 7.4002 to clarify that national banks' authority to charge non-interest charges and fees encompasses interchange fees from credit and debit card operations, including fees set by or in consultation with third parties such as card networks. Comments on both actions are due by May 29, 2026.

**Agencies Finalize Revisions to Community Bank Leverage Ratio Framework.** On April 23, 2026, the Federal Reserve, OCC, and FDIC [finalized](#) their rule lowering the community bank leverage ratio (CBLR) for banks with less than \$10 billion in total consolidated assets from 9% to 8%. The rule extends the grace period from two quarters to four quarters to provide additional time for community banks to either satisfy the definition of a qualifying community banking organization under the CBLR framework, or to achieve compliance with risk-based capital requirements. The final rule is effective July 1, 2026.

**OCC and FDIC Finalize Rule Prohibiting Supervision Based on Reputation Risk.** On April 10, 2026, the OCC and FDIC [issued](#) a final rule codifying the elimination of reputation risk from their supervisory frameworks, prohibiting examiners from criticizing or taking adverse action against institutions on that basis. The rule also bars the agencies from directing or encouraging banks to terminate or restrict relationships based on customers' political, social, cultural, or religious views, constitutionally protected speech, or lawful but disfavored activities. The rule, which reflects the broader shift toward limiting perceived "debanking" and reducing supervisory subjectivity, is effective June 9, 2026.

**OCC Issues Proposal Streamlining Certain Regulations Pursuant to Executive Order.** On April 27, 2026, the OCC [issued](#) a proposed rule to rescind or amend certain regulatory provisions in 12 CFR parts 24, 43, and 128 that it has identified as unnecessary, duplicative, or lacking clear statutory authority. The proposal appears to implement the Administration's recent Executive Order titled *Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Deregulatory Initiative* directing agencies to review and eliminate burdensome or unsupported regulatory requirements. Proposed changes include removing certain references to minority- and women-owned entities in the public welfare investment framework, eliminating certain credit risk retention requirements for open market CLOs, and deleting duplicative nondiscrimination provisions applicable to federal savings associations. Comments are due by May 27, 2026.

**FDIC Rescinds Supervisory Guidance on Multiple Re-Presentation NSF Fees.** On April 10, 2026, the FDIC [rescinded](#) its prior supervisory guidance (FIL-32-2023) on charging multiple non-sufficient funds (NSF) fees for the re-presentation of the same transaction, concluding that the guidance was overly broad and created regulatory uncertainty, particularly around when such practices could be considered “unfair” under Section 5 of the FTC Act. The rescission is effective immediately and removes the FDIC’s specific supervisory framework on this issue, but it does not change underlying legal requirements; banks are still expected to ensure that their fee practices are accurately disclosed and comply with applicable consumer protection laws and regulations.

**Speech by Governor Waller on Reserve Modernization.** On April 21, 2026, Federal Reserve Board Governor Christopher Waller gave a [speech](#) titled “Modernizing Federal Reserve Operations in the 21st Century” at The Brookings Institution. In his speech, Waller discussed the Federal Reserve’s operational structure and advocated for modernizing how the Reserve Banks operate by centralizing and standardizing support functions—such as IT, HR, finance, and procurement—under unified System-level leadership. Waller outlined two models for operational reform: (1) standardization with centralized leadership while maintaining the current physical footprint and (2) full physical consolidation of non-local functions into a small number of operations centers. Waller emphasized that while the Federal Reserve System’s decentralized structure remains important for regional monetary policy input and bank supervision, functions that are platform-based, technology-driven, and scale-sensitive should be managed with a “System first, Bank second” philosophy to exploit economies of scale, reduce costs, and manage risk.

**Federal Banking Agencies Announce Upcoming “Ask the Regulators” Event.** The federal banking agencies announced they will hold an “Ask the Regulators” event on May 5, 2026, at 2:00 p.m. ET at which they will discuss the recent capital proposals. A link to register is available [here](#).

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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