

# U.S. Financial Regulation and Supervisory Developments

## Comprehensive Report

October 2025

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## 1. Federal Banking and Prudential Regulation

### 1.1 Major Interagency Policy Developments

#### Elimination of “Reputational Risk” in Bank Supervision

A significant supervisory policy shift occurred in October 2025 when the **Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation** issued a **Notice of Proposed Rulemaking removing reputational risk from supervisory programs.**

Key provisions:

- Examiners would no longer criticize institutions solely for reputational risk.
- Supervisory actions based on perceived political, social, cultural, or religious viewpoints of customers would be prohibited.
- Regulators would be restricted from encouraging banks to terminate lawful customer relationships due to reputational concerns.
- The proposal codifies policy changes designed to prevent regulatory pressure on banks to disengage from lawful industries.

Industry policy organizations largely supported the proposal, arguing it would limit supervisory subjectivity and reduce regulatory uncertainty.

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## Large Bank Resolution Plan Disclosures

The **Federal Reserve and FDIC released the public sections of resolution plans for fifteen large banking organizations** following the October 1 filing deadline.

Institutions included:

- five U.S. banking organizations
- ten foreign banking organizations

These plans detail how institutions could be resolved under the Bankruptcy Code without taxpayer support.

This disclosure forms part of the post financial crisis “living will” framework under the Dodd Frank Act.

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## Stress Test Transparency Reforms

The Federal Reserve announced major changes to supervisory stress tests.

Key changes include:

- disclosure of stress scenarios and models
- opportunities for industry feedback
- significant reduction in regulatory documentation

Regulators estimate capital requirements would fall modestly, approximately **0.25 percentage points**.

The policy reflects growing regulatory emphasis on supervisory transparency and burden reduction.

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## **Supervisory Operating Principles**

The Federal Reserve also circulated new internal supervisory operating principles in late October that emphasize:

- identification of material financial risk
- prioritization of safety and soundness risks
- reduction of procedural compliance enforcement

These guidelines shift supervision toward risk based evaluation.

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# **2. Federal Deposit Insurance Corporation**

## **2.1 Regulatory and Policy Initiatives**

### **Reputational Risk NPR**

As noted above, the FDIC jointly issued the proposed rule eliminating reputational risk from supervisory frameworks.

This represents one of the most consequential changes in supervisory doctrine since the financial crisis.

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## **2.2 Resolution Planning Oversight**

The FDIC continued implementing resolution planning requirements for systemically important banks.

October developments included:

- release of public resolution plan sections
- enhanced coordination with Federal Reserve supervisory teams

- updated expectations for foreign bank resolution submissions.
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## **2.3 Supervisory and Industry Research**

FDIC supervisory research and analysis during the period focused on:

- bank operational resilience
- digital banking risks
- fintech partnerships
- third party risk management

The agency emphasized risks associated with non bank partners providing banking infrastructure services.

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## **2.4 Enforcement and Supervisory Actions**

FDIC enforcement activity in October primarily targeted:

- Bank Secrecy Act compliance failures
- unsafe lending practices
- board oversight deficiencies
- consumer compliance violations

Common remedies included:

- civil monetary penalties
- consent orders
- mandated remediation plans.

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## 3. Office of the Comptroller of the Currency

### 3.1 Enforcement Actions

The OCC released enforcement actions against multiple national banks and federal savings associations during October.

Actions addressed:

- weak internal controls
- Bank Secrecy Act deficiencies
- compliance failures
- unsafe operational practices.

Enforcement actions typically required management remediation and board level oversight improvements.

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### 3.2 Community Bank Regulatory Reform

The OCC announced initiatives to reduce regulatory burden for community banks.

Changes include:

- greater examiner discretion
- reduced procedural requirements
- simplified supervisory expectations for smaller institutions.

The initiative forms part of a broader regulatory recalibration focused on smaller institutions.

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## 3.3 CRA Oversight

OCC supervisory activities continued implementation of updated Community Reinvestment Act frameworks including:

- strategic plan approvals
  - modernization of evaluation metrics
  - expanded digital banking assessment areas.
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# 4. Federal Reserve Regulatory and Supervisory Developments

## 4.1 Bank Supervision Workforce Restructuring

The Federal Reserve announced a plan to reduce supervision staff by approximately **30 percent** over the next year.

Objectives include:

- simplifying oversight structures
  - improving efficiency
  - reducing regulatory burden.
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## 4.2 Stress Testing Reform

The Federal Reserve proposed reforms to the Comprehensive Capital Analysis and Review framework including:

- public disclosure of models

- enhanced transparency
- reduced paperwork requirements.

These changes follow industry legal challenges regarding stress testing transparency.

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## **4.3 Financial Stability Monitoring**

Supervisory monitoring during the period highlighted emerging risks in:

- commercial real estate
  - regional bank liquidity
  - digital asset exposures
  - non bank financial intermediaries.
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# **5. Consumer Financial Protection Bureau**

## **5.1 Open Banking Rule Litigation**

A federal judge issued an injunction blocking enforcement of the CFPB open banking rule.

The rule would have required financial institutions to provide consumers with free access to their financial data for switching service providers.

The court concluded the rule likely exceeded the agency's statutory authority and imposed significant compliance costs.

The CFPB began reconsidering the rulemaking.

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## **5.2 Enforcement and Supervisory Activity**

CFPB enforcement activity during the period continued focusing on:

- consumer reporting violations
  - mortgage servicing misconduct
  - credit card fee practices
  - payday lending compliance.
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## **6. Financial Markets and Securities Regulation**

### **6.1 SEC Regulatory Activity**

October developments included:

- enforcement actions involving investment adviser fiduciary duties
  - continued scrutiny of digital asset investment products
  - disclosure enforcement in private fund markets.
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### **6.2 CFTC Actions**

The CFTC emphasized:

- digital asset derivatives oversight
  - market manipulation enforcement
  - increased cooperation with international regulators.
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# 7. Treasury, Sanctions, and Financial Intelligence

## 7.1 OFAC Sanctions Activity

Treasury continued expanding sanctions enforcement related to:

- Russia Ukraine conflict financing
- Iranian financial networks
- cyber enabled financial crime.

OFAC also issued updated SDN list designations.

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## 7.2 FinCEN AML Developments

FinCEN focused on:

- payments fraud
  - cryptocurrency laundering
  - beneficial ownership reporting implementation.
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# 8. Federal Financial Stability and Housing Authorities

## 8.1 Financial Stability Oversight Council

FSOC monitoring focused on:

- private credit markets
  - hedge fund leverage
  - climate related financial risks.
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## **8.2 FHFA Housing Finance Policy**

The Federal Housing Finance Agency continued oversight of:

- mortgage credit risk transfers
  - housing affordability initiatives
  - GSE capital framework implementation.
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# **9. Federal Cybersecurity and Technology Authorities**

## **9.1 CISA Alerts and Advisories**

Cybersecurity alerts during October emphasized threats targeting financial institutions including:

- ransomware campaigns
  - supply chain compromise
  - financial sector phishing operations.
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## **9.2 NIST Cybersecurity Standards**

NIST updates focused on:

- AI risk management frameworks
  - cybersecurity maturity models
  - supply chain security practices.
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## **10. Executive Branch Policy**

### **White House Financial Technology and AI Policy**

Executive branch policy initiatives emphasized:

- AI risk governance
  - financial system resilience
  - digital identity frameworks.
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## **11. Accounting and Financial Standards**

### **FASB Updates**

Financial Accounting Standards Board developments addressed:

- credit loss accounting refinements
  - hedge accounting improvements
  - digital asset accounting guidance.
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## **PCAOB Oversight**

PCAOB inspections during the period focused on:

- audit quality
  - internal control reporting
  - large bank audit procedures.
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## **12. Financial Sector Cyber Intelligence**

### **FS ISAC Threat Intelligence**

Financial institutions reported increased cyber threats including:

- credential harvesting campaigns
  - banking trojans
  - ransomware targeting payment infrastructure.
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## **13. Industry Policy and Banking Associations**

Industry groups including:

- American Bankers Association
- Independent Community Bankers of America
- Bank Policy Institute

focused advocacy on:

- capital requirement reforms
  - regulatory burden reduction
  - modernization of payments fraud prevention.
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## 14. Fintech Infrastructure

Major fintech service providers emphasized:

- embedded finance expansion
  - real time payments infrastructure
  - open banking ecosystem development.
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## 15. State Banking Regulators

State regulators issued updates addressing:

- digital asset supervision
- consumer protection enforcement
- fintech licensing frameworks
- bank merger approvals.

States with notable activity included:

- New York

- California
  - Texas
  - Florida
  - Illinois
  - Massachusetts.
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## **16. State Attorney General Financial Enforcement**

State attorneys general pursued actions involving:

- deceptive lending practices
  - mortgage servicing violations
  - consumer credit reporting abuses
  - fintech compliance failures.
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## **17. Major Themes Across October 2025**

### **1 Regulatory Burden Reduction**

Multiple agencies pursued deregulatory initiatives including:

- elimination of reputational risk supervision
- stress testing transparency reforms

- reduced supervisory staffing.
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## **2 Judicial Constraints on Financial Regulation**

Court rulings significantly affected regulatory initiatives including the CFPB open banking rule injunction.

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## **3 Shift Toward Risk Based Supervision**

Supervisory frameworks increasingly focus on material financial risk rather than procedural compliance.

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## **4 Continued Cybersecurity Threat Escalation**

Cyber intelligence reporting indicated persistent threats against banking infrastructure.

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## **5 Financial Stability Monitoring**

Regulators continued close monitoring of:

- commercial real estate exposures
  - regional bank resilience
  - private credit market growth.
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# **18. Strategic Implications for Financial Institutions**

Financial institutions face several strategic implications:

### **Supervisory Expectations**

- Reduced focus on reputational risk.
- Increased emphasis on core safety and soundness risk.

### **Regulatory Compliance**

- Potentially lower compliance burden in stress testing.
- evolving open banking legal framework.

### **Operational Risk**

- heightened cybersecurity threats.
  - increasing reliance on fintech partnerships.
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## **Conclusion**

October 2025 marked a significant transitional period in U.S. financial regulation characterized by:

- supervisory recalibration
- deregulatory policy initiatives
- litigation shaping regulatory authority
- continued focus on financial stability and cybersecurity.

These developments reflect a broader shift toward streamlined oversight, risk focused supervision, and reassessment of regulatory frameworks established after the global financial crisis.

