

# U.S. Financial Regulation and Banking Oversight

## Monthly Regulatory Developments Report

February 2026

### 1. Federal Prudential Banking Regulators

#### Federal Reserve

##### 1. Proposed rule eliminating “reputation risk” from supervisory framework

In February 2026 the Federal Reserve issued a **notice of proposed rulemaking** to formally remove “reputation risk” as a supervisory consideration in bank examinations. The proposal also prohibits supervisors from encouraging banks to deny financial services based on lawful activities, political beliefs, or religious affiliations.

Key elements:

- Codifies the Fed’s June 2025 policy removing reputation risk from supervision.
- Bars regulators from pressuring banks to terminate lawful customer relationships.
- Reinforces focus on material financial and operational risks.

The comment deadline for the proposal was set for April 2026.

##### 2. Stress test framework and capital buffer

The Federal Reserve maintained current **stress capital buffer (SCB) requirements through 2027**, pending updates to supervisory stress testing models and public feedback.

Related supervisory actions included:

- Publication of **2026 supervisory stress test scenarios**
- Delay of recalculated capital buffer requirements until revised models are finalized.

### 3. Supervisory enforcement

The Federal Reserve announced an **enforcement action involving a former employee of Regions Bank** related to supervisory compliance matters.

### 4. Banking application approvals

During February the Federal Reserve approved several banking applications, including:

- Application by Cooperativa de Ahorro y Crédito Elga.
- Application by Fulton Financial Corporation.

### 5. Regulatory review initiative

The Board announced a **public outreach meeting under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA)** to review existing banking regulations.

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## Federal Deposit Insurance Corporation (FDIC)

### 1. Stress testing scenario release

The FDIC released **hypothetical economic scenarios for the 2026 supervisory stress tests** covering large institutions with assets exceeding \$250 billion.

### 2. Stablecoin issuance rulemaking process

Through **Financial Institution Letter FIL-4-2026**, the FDIC extended the public comment period on a proposed rule establishing approval procedures for FDIC-supervised banks seeking to issue **payment stablecoins through subsidiaries** under the GENIUS Act.

The proposal outlines:

- Application procedures for stablecoin issuance
- Review criteria for safety and soundness
- Appeals process for denied applications
- Processing timelines for regulatory decisions

The comment period was extended to May 18, 2026.

### 3. Industry performance update

FDIC reporting indicated that **FDIC-insured institutions reported a return on assets of approximately 1.24 percent**, reflecting a slight decline relative to prior reporting periods.

### 4. Bank charter and deposit insurance decision

The FDIC approved a deposit insurance application for **Edward Jones Bank**, a Utah chartered industrial bank sponsored by Jones Financial Companies.

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## Office of the Comptroller of the Currency (OCC)

Several regulatory bulletins and rulemakings were issued in February.

### 1. Proposed rule implementing GENIUS Act digital asset framework

OCC Bulletin 2026-3 announced a **notice of proposed rulemaking implementing GENIUS Act requirements**, establishing supervisory procedures for national banks and federal savings associations engaging in stablecoin activities.

The rule represents a key step in building a federal framework for regulated bank participation in stablecoin issuance.

### 2. Bank supervisory appeals process

OCC Bulletin 2026-2 introduced a **notice of proposed rulemaking to revise the OCC bank appeals process**, modifying procedures for banks challenging supervisory determinations.

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## 2. Federal Financial Stability and Systemic Risk Oversight

### Stress Testing and Capital Oversight

Across February 2026, U.S. prudential regulators coordinated on several stress testing initiatives:

- Publication of **2026 stress test economic scenarios**
- Continuation of the current **stress capital buffer framework through 2027**
- Continued review of supervisory models to improve transparency and methodology.

These developments signal a transition period in stress testing policy while regulators refine modeling frameworks.

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### 3. Digital Asset Regulation

Digital asset oversight was a major regulatory theme.

Key developments included:

#### **Stablecoin regulatory frameworks**

Three separate initiatives advanced simultaneously:

1. FDIC rulemaking on approval requirements for banks issuing payment stablecoins.
2. OCC proposed rules implementing the GENIUS Act.
3. Interagency policy work establishing supervisory expectations for digital asset activities.

The emerging framework focuses on:

- Bank subsidiary issuance models
  - prudential safeguards
  - application review procedures
  - supervisory oversight of tokenized financial products.
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### 4. Regulatory Policy and Supervision Themes

Several policy directions emerged from February developments.

#### **1. Reduction of subjective supervisory factors**

The Federal Reserve proposal removing reputation risk from supervision reflects a broader shift toward **objective financial risk metrics in examinations**.

## 2. Expansion of digital asset oversight

Federal regulators continued building supervisory frameworks for:

- stablecoin issuance
- tokenized financial instruments
- bank participation in digital asset markets.

## 3. Stress testing reform

Regulators signaled upcoming changes to stress testing models and capital buffer calculations, suggesting further reform of the **Comprehensive Capital Analysis and Review (CCAR) framework**.

## 4. Regulatory transparency

Several initiatives aimed to increase transparency in:

- stress testing models
- supervisory determinations
- regulatory appeals processes.

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# Key February 2026 Regulatory Actions (Summary Table)

Agency	Action	Date	Topic
Federal Reserve	Proposed rule removing reputation risk from supervision	Feb 2026	Bank supervision policy
Federal Reserve	Stress capital buffer requirements maintained through 2027	Feb 2026	Capital regulation

Federal Reserve	Enforcement action involving former Regions Bank employee	Feb 4	Enforcement
FDIC	Stress test economic scenarios released	Feb 12	Stress testing
FDIC	Stablecoin rule comment period extended (FIL-4-2026)	Feb 6	Digital assets
FDIC	Deposit insurance approved for Edward Jones Bank	Feb 27	Bank chartering
OCC	Proposed rule implementing GENIUS Act stablecoin framework	Feb 25	Digital assets
OCC	Proposed rule updating supervisory appeals process	Feb 17	Bank supervision

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## Strategic Regulatory Trends Emerging in February 2026

- 1. Institutionalization of digital asset supervision**  
 Stablecoin frameworks and tokenized securities policy development accelerated.
- 2. Shift toward politically neutral supervision**  
 Removal of reputation risk from examination programs signals regulatory recalibration.
- 3. Modernization of stress testing and capital frameworks**  
 Regulators paused capital buffer recalibration pending improvements to supervisory models.
- 4. Enhanced transparency in regulatory processes**  
 Appeals procedures and supervisory methodologies received greater scrutiny.