

U.S. Financial Regulatory Intelligence Report

April 2025 Regulatory Developments

1. Federal Banking and Prudential Regulation

Interagency Developments (FDIC, Federal Reserve, OCC)

Community Reinvestment Act modernization rollback

In April 2025, the three federal banking agencies signaled plans to **rescind the recently adopted CRA modernization framework and revert to the prior regulatory regime** while litigation regarding the rule proceeded. The decision paused bank implementation efforts tied to the modernization rule.

Key implications:

- Banks were instructed to continue operating under the **pre-existing CRA framework**
- Compliance programs and data reporting structures designed for the modernization rule were placed on hold
- Agencies indicated further guidance would follow pending court outcomes

This development represented a major regulatory reversal affecting **community investment evaluation methodology, assessment area definitions, and performance metrics**.

Federal Reserve Supervisory and Regulatory Actions

Stress Test Capital Buffer Reform Proposal

On April 17, 2025 the Federal Reserve issued a proposal designed to **reduce volatility in capital requirements resulting from supervisory stress tests**.

Key elements:

- Stress test results averaged across **two years** for Category I–III banks
- Category IV banks subject to consecutive stress tests could also average results
- Annual capital buffer implementation date proposed to shift from **October 1 to January 1**

Policy objectives:

- Reduce year-to-year capital requirement swings
 - Improve predictability for bank capital planning
 - Align supervisory stress testing with longer-term risk horizons
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Crypto-Asset Supervisory Guidance Withdrawal

On April 24, 2025 the Federal Reserve **rescinded supervisory guidance requiring banks to provide advance notice of crypto-asset activities.**

Changes:

- Withdrawal of the 2022 supervisory letter requiring advance notification
- Monitoring of crypto activities shifted to **standard supervisory processes**
- Reduced procedural barriers to experimentation with tokenized and digital asset activities

Regulatory impact:

- State member banks gained greater flexibility to develop digital asset services
 - Crypto activities moved toward traditional risk-based supervision rather than pre-approval.
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OCC Developments

Enforcement Actions

The Office of the Comptroller of the Currency announced enforcement actions during April 2025 addressing violations or unsafe practices by institution affiliated parties.

The actions reinforced the OCC supervisory priority of **individual accountability for bank officers, directors, and employees.**

Enforcement objectives:

- Correction of unsafe or unsound banking practices
 - Deterrence of fiduciary breaches
 - Strengthening governance and risk management controls.
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2. Consumer Financial Protection Regulation

CFPB Regulatory and Enforcement Landscape

Although fewer new rulemakings emerged during April 2025 compared with earlier in the year, supervisory and enforcement activity continued to focus on:

- Fair lending practices
- Credit reporting accuracy
- Consumer data usage and algorithmic decisioning

The agency also continued implementing its **Regulation V reforms addressing medical debt in credit decisions**, adopted earlier in January 2025.

These reforms removed an exception allowing creditors to use medical debt information when determining credit eligibility.

Regulatory implications:

- Credit underwriting models required revision
 - Lenders updated fair lending compliance frameworks
 - Credit reporting agencies adjusted data reporting processes.
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3. Anti-Money Laundering, Sanctions, and Financial Intelligence

FinCEN

FinCEN Advisory on ISIS Financing

On April 1, 2025 FinCEN issued **Advisory FIN-2025-A001 addressing the financing of ISIS and related affiliates**.

Core elements:

- Identification of financial indicators tied to ISIS financing networks
- Emphasis on monitoring international payment corridors and charities used for illicit fundraising
- Enhanced SAR reporting expectations for suspicious activities tied to terrorist financing.

The advisory instructed financial institutions to strengthen monitoring of:

- cryptocurrency channels
- hawala and informal value transfer systems
- charities and NGOs operating in high risk jurisdictions.

Sanctions Enforcement Environment

Treasury and DOJ maintained an aggressive sanctions enforcement posture across 2025, issuing multiple enforcement actions involving sanctions violations and AML control failures.

Major trends identified in 2025:

- increasing penalties against investment firms facilitating sanctioned transactions
- coordinated enforcement actions between OFAC, FinCEN, and DOJ
- expanded focus on beneficial ownership transparency.

4. Financial Markets and Securities Regulation

SEC Regulatory Focus

Throughout April 2025, SEC policy activity continued to emphasize:

- investment adviser fiduciary obligations
- private fund disclosure requirements
- digital asset market oversight
- market structure modernization.

In parallel, regulators and enforcement bodies across securities markets increased scrutiny of **model risk management and AML compliance failures within financial institutions and broker-dealers**.

These developments reinforced supervisory attention toward:

- algorithmic trading systems
- AI model governance
- compliance program adequacy.

5. Federal Financial Stability and Oversight

Macroprudential Oversight

Although the FSOC annual report cycle occurred later in the year, April 2025 discussions across federal regulators highlighted emerging systemic risk areas including:

- digital asset market integration with traditional banking
- Treasury market liquidity concerns
- artificial intelligence applications in financial services.

Regulators emphasized the need to integrate **technology risk monitoring into financial stability analysis**.

6. Cybersecurity and Technology Oversight

FFIEC and Federal Cyber Authorities

Regulators continued to emphasize cyber resilience through the FFIEC and federal cybersecurity bodies.

Priority risk areas highlighted during April 2025 included:

- ransomware targeting financial institutions
- supply chain vulnerabilities in financial infrastructure
- API security in open banking architectures
- AI related operational risk.

The FFIEC cybersecurity assessment framework remained the central supervisory benchmark for bank cyber risk management.

7. Accounting and Financial Standards

FASB and PCAOB Developments

During early 2025 standard setters continued implementing reforms affecting financial institutions, including:

- credit loss measurement under CECL
- enhanced disclosures for financial instruments
- audit quality inspection priorities.

Accounting regulators maintained particular focus on **internal control reporting and valuation of complex financial instruments**.

8. Industry Regulatory Coordination

Several banking policy organizations and trade associations released regulatory commentary and policy guidance during April 2025, including:

- American Bankers Association
- Bank Policy Institute
- Independent Community Bankers of America
- Clearing House Payments Company.

Common themes across industry policy responses included:

- calls for stress testing reform
 - advocacy for reduced regulatory burden
 - modernization of digital asset oversight
 - modernization of payment system infrastructure.
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9. Enforcement Trends Across Financial Regulators

April 2025 developments reflected broader enforcement patterns:

Key Themes

1. AML and sanctions compliance failures
2. governance and risk management weaknesses
3. technology model risk management
4. consumer protection violations.

Regulators continued to pursue enforcement actions against institutions of various sizes, emphasizing that **compliance risk applies across the entire financial system**.

Strategic Regulatory Themes Emerging in April 2025

1. Regulatory Simplification and Deregulation

Several actions indicated movement toward:

- reduced supervisory procedural requirements
- capital rule adjustments
- reconsideration of major regulatory initiatives.

2. Technology and Crypto Integration

Federal regulators began shifting from **pre-approval frameworks** toward **risk-based supervision** for digital asset activities.

3. Capital and Stress Testing Reform

The Federal Reserve stress test proposal represented a significant change aimed at stabilizing capital requirements.

4. Expanded AML and Terrorist Financing Focus

FinCEN and Treasury prioritized detection of global terrorist financing networks.

5. Continued Consumer Protection Enforcement

Despite regulatory adjustments, consumer protection rules and fair lending enforcement remained active.

Conclusion

April 2025 marked a **significant transition period in U.S. financial regulation**, characterized by:

- reconsideration of major regulatory frameworks
- modernization of supervisory approaches
- increased attention to financial technology risk
- sustained enforcement in AML and consumer protection.

The month produced several regulatory shifts with long term implications for financial institutions, including stress test capital reforms, CRA rule reconsideration, crypto supervisory changes, and enhanced anti terrorist financing guidance.