

U.S. Financial Regulatory Developments

Comprehensive Intelligence Report

May 2025

1. Federal Banking and Prudential Regulation

1.1 Federal Deposit Insurance Corporation (FDIC)

Financial Condition of the Banking System

The FDIC released the **Quarterly Banking Profile for Q1 2025**, showing continued profitability and resilience across insured institutions.

Key metrics:

- **Return on Assets:** 1.16 percent
- **Total Net Income:** \$70.6 billion
- **Drivers of profitability:** higher interest income and stabilized loan loss provisions
- **Deposit Insurance Fund restoration progress:** continuing improvement after 2023 regional bank failures

The agency also issued an update on the **Deposit Insurance Fund Restoration Plan**, describing progress in rebuilding the insurance fund after recent banking stress events.

Community Reinvestment Act Supervision

FDIC announced **CRA examination schedules for Q3 and Q4 2025**, providing transparency regarding upcoming supervisory activity.

Enforcement Actions

The FDIC published enforcement actions covering **May 2025 supervisory activity**, including:

- civil money penalties
- consent orders
- removal and prohibition actions against bank officials
- directives to correct unsafe practices

These enforcement actions target:

- governance failures
 - Bank Secrecy Act deficiencies
 - credit underwriting weaknesses
 - unsafe lending practices
-

1.2 Office of the Comptroller of the Currency (OCC)

Enforcement Actions

The OCC released enforcement actions taken against banks and individuals supervised by the agency.

Actions included:

- civil money penalties
- prohibition orders
- cease and desist orders
- remediation requirements for compliance failures

The OCC emphasized enforcement actions as a tool to ensure management corrects deficiencies and restores sound risk management practices.

Bank Merger Policy Revision

The OCC issued an **interim final rule modifying the bank merger review process**, removing a previous policy framework that had applied heightened scrutiny to large mergers.

Key change:

- streamlined review process
- restoration of a faster approval pathway for some mergers

The rule aimed to reduce regulatory burden and increase merger review efficiency.

Enforcement Action Developments

A significant development involved **termination of a long standing consent order related to Wells Fargo operations**, reflecting regulatory progress in addressing governance and compliance issues tied to the bank's prior misconduct.

1.3 Federal Reserve Board

Stress Testing Transparency Reform

The Federal Reserve filed a joint motion in litigation related to its **bank stress testing program**.

The Board committed to:

- publishing stress testing models
- increasing transparency around supervisory scenarios
- issuing rulemaking on the design of stress test frameworks

Planned reforms included:

1. public comment on stress test models

2. comment on annual stress test scenarios
3. revised scenario design framework with objective standards

These changes aimed to improve transparency in the supervisory capital assessment process.

Supervision and Regulatory Policy

The Fed continued supervisory oversight of large financial institutions through:

- bank holding company applications
- enforcement action monitoring
- supervisory stress testing preparation

The agency also continued evaluation of capital requirements and supervisory methodologies.

2. Consumer Financial Protection Regulation

Consumer Financial Protection Bureau (CFPB)

Policy and Enforcement Direction

Regulatory developments during May reflected **shifting policy priorities at the CFPB**, including:

- recalibration of enforcement focus
- adjustments to regulatory initiatives
- continued litigation affecting regulatory rulemaking

Key issues included:

- small business lending rule implementation
- fee regulation challenges
- enforcement prioritization

These changes reflected a broader shift in consumer financial regulation strategy.

Enforcement Activity

CFPB enforcement activity during this period continued to focus on:

- unfair or deceptive practices
 - consumer reporting violations
 - mortgage servicing misconduct
 - consumer credit market transparency
-

3. Financial Stability and Systemic Oversight

Financial Stability Oversight Council (FSOC)

Although no major FSOC rulemaking occurred during May, regulatory monitoring continued across:

- nonbank financial institution risks
- bank funding stress
- market liquidity risks
- emerging digital asset exposures

Office of Financial Research (OFR)

Research continued on:

- systemic leverage
 - financial market structure
 - stress propagation in capital markets
-

4. Treasury and Financial Intelligence

Treasury Department

Treasury activity during May included:

- financial sector policy coordination
- sanctions enforcement
- financial crime risk assessment

Office of Foreign Assets Control (OFAC)

OFAC continued updating:

- the Specially Designated Nationals list
- sanctions compliance guidance

Updates targeted:

- Russian sanctions programs
- Iran related financial restrictions

- cyber crime related actors

Financial Crimes Enforcement Network (FinCEN)

FinCEN activity included:

- anti money laundering guidance
- financial crime advisories
- regulatory interpretation updates

Areas of focus included:

- beneficial ownership transparency
 - sanctions evasion detection
 - suspicious activity reporting enhancements
-

5. Financial Markets and Securities Regulation

Securities and Exchange Commission (SEC)

SEC regulatory activity during the period included:

- oversight of investment advisers
- market transparency initiatives
- enforcement actions involving securities fraud
- regulatory updates affecting private funds

Enforcement Focus

SEC enforcement continued targeting:

- insider trading
 - digital asset securities offerings
 - investment adviser fiduciary violations
 - market manipulation schemes
-

Commodity Futures Trading Commission (CFTC)

CFTC actions focused on:

- derivatives market oversight
 - swap reporting compliance
 - digital asset derivatives regulation
 - enforcement related to commodity fraud
-

6. Federal Cybersecurity and Technology Oversight

Cybersecurity and Infrastructure Security Agency (CISA)

CISA issued several cybersecurity advisories during May addressing:

- critical infrastructure vulnerabilities
- software supply chain risk

- ransomware activity targeting financial institutions

The agency continued publishing updates to the **Known Exploited Vulnerabilities catalog**, identifying actively exploited software vulnerabilities affecting financial sector infrastructure.

National Institute of Standards and Technology (NIST)

NIST continued development of frameworks and guidance including:

- updates to the Cybersecurity Framework
 - implementation guidance for the AI Risk Management Framework
 - financial sector cybersecurity practices
-

7. Housing and Mortgage Finance Oversight

Federal Housing Finance Agency (FHFA)

FHFA supervision focused on:

- safety and soundness oversight of Fannie Mae and Freddie Mac
 - mortgage market risk monitoring
 - affordable housing finance initiatives
-

Department of Housing and Urban Development (HUD)

HUD continued enforcement activity under:

- Fair Housing Act compliance
 - fair lending oversight
-

8. Accounting and Financial Standards

Financial Accounting Standards Board (FASB)

Accounting standard developments continued in areas including:

- credit loss accounting updates
 - digital asset accounting treatment
 - financial instrument disclosure improvements
-

Public Company Accounting Oversight Board (PCAOB)

PCAOB inspection activity focused on:

- audit quality reviews
 - enforcement actions involving audit failures
 - oversight of public company audit firms
-

9. Financial Sector Cyber Intelligence

FS ISAC

Threat intelligence shared across the financial sector included warnings related to:

- ransomware groups targeting financial institutions
 - credential theft campaigns
 - supply chain compromise risk
-

SANS Internet Storm Center

Threat intelligence monitoring identified:

- phishing campaigns targeting bank customers
 - exploitation of remote access software vulnerabilities
 - malware activity linked to financial credential harvesting
-

10. Industry Regulatory Coordination

American Bankers Association (ABA)

Industry policy advocacy addressed:

- capital requirements
- regulatory burden reduction
- merger review policy

Independent Community Bankers of America (ICBA)

Advocacy priorities included:

- relief for small institutions

- reduction of regulatory compliance costs
 - modernization of payment systems
-

11. Financial Technology and Payments Infrastructure

NACHA

NACHA initiatives included:

- improvements to ACH payment processing
 - fraud detection programs
 - modernization of payment rails
-

Fintech Infrastructure Providers

Technology providers including FIS and Jack Henry continued development of:

- digital banking infrastructure
 - fraud monitoring platforms
 - regulatory compliance systems
-

12. State Banking Regulators

State regulators issued updates relating to:

- bank licensing
- enforcement actions
- consumer protection investigations

Large states with notable activity included:

- New York Department of Financial Services
 - California Department of Financial Protection and Innovation
 - Texas Department of Banking
-

13. State Attorney General Enforcement

State attorneys general continued enforcement activity against financial institutions involving:

- consumer lending violations
- deceptive financial marketing
- credit reporting misconduct
- data security incidents

States frequently active in financial enforcement included:

- New York
- California
- Massachusetts
- Illinois
- Texas

14. Major Themes and Regulatory Trends Observed in May 2025

1. Regulatory Streamlining

Federal regulators began implementing changes aimed at:

- reducing regulatory burden
- streamlining merger approvals
- increasing supervisory efficiency

2. Transparency in Supervisory Models

Federal Reserve stress testing reforms aimed to:

- increase transparency
- reduce litigation risk
- improve predictability for large banks

3. Continued Banking Sector Stability

FDIC financial reports showed:

- strong profitability
- stable asset quality
- gradual normalization following earlier bank failures

4. Continued Enforcement Focus

Regulators continued enforcement targeting:

- compliance failures
- governance breakdowns
- anti money laundering violations

5. Cybersecurity Remains Systemic Risk

Federal cybersecurity authorities emphasized:

- ransomware threats
 - critical software vulnerabilities
 - financial infrastructure protection
-

Conclusion

The regulatory environment in May 2025 demonstrated a **transition phase in U.S. financial supervision characterized by regulatory recalibration, supervisory transparency initiatives, continued enforcement activity, and strong banking sector performance.**

Key takeaways:

- regulators emphasized **efficiency and reduced compliance burden**
- supervisory transparency increased through **stress testing reforms**
- financial system performance remained **stable and profitable**
- cybersecurity threats continued to drive **interagency coordination**