

U.S. Financial Regulation and Banking Supervision

Comprehensive Regulatory Update

September 2025

1. Macroeconomic and Monetary Policy Developments

Federal Reserve Monetary Policy

In September 2025, the **Federal Open Market Committee (FOMC)** reduced the federal funds rate by **25 basis points**, bringing the target range to **4.00 to 4.25 percent**. The decision reflected a combination of weakening labor market indicators and rising unemployment expectations.

Key signals from the September FOMC statement

Primary economic drivers cited by the Federal Reserve included:

- softening labor demand
- rising unemployment indicators
- moderation in inflation momentum
- tightening credit conditions in several lending segments

The rate cut marked a shift from the tightening cycle that dominated 2022 to 2024 and signaled the start of a **gradual monetary easing phase** designed to support economic stability while maintaining inflation discipline.

Implications for the banking system

Impacts included:

- improved funding conditions for banks
- moderate compression of net interest margins
- increased mortgage origination potential
- reduced pressure on deposit outflows

The policy shift also affected supervisory stress scenarios used by regulators.

2. Federal Banking and Prudential Regulation

Major Regulatory Trend: Recalibration of Bank Supervision

Throughout 2025 and continuing in September, federal banking regulators pursued a broad **reassessment of supervisory frameworks**, including removing references to **reputation risk as an examination criterion**.

This policy change affected the following agencies:

- Federal Reserve
- Office of the Comptroller of the Currency
- FDIC

Purpose of the shift

Regulators emphasized:

- focus on material financial risk
- reduction of subjective supervisory judgments
- increased transparency in exam procedures

The change had implications for:

- ESG-related examinations
 - politically sensitive industries
 - reputational risk enforcement practices
-

3. FDIC Regulatory Developments

3.1 FDIC Enforcement Policy Revision

On **September 8, 2025**, the FDIC revised its enforcement manual to change the standard for terminating cease-and-desist orders.

Previous standard

Full compliance with all order provisions.

New standard

Substantial compliance with the core objectives of the order.

Policy rationale

The FDIC stated that the updated framework:

- allows earlier termination of orders
- focuses on remediation effectiveness
- reduces unnecessary supervisory burdens

Impact on banks

Institutions under FDIC enforcement orders gained:

- clearer pathways to order termination
- reduced compliance costs
- shorter supervisory remediation timelines

3.2 FDIC Call Report and Reporting Updates

The FDIC issued updated instructions and forms for **September 30, 2025 Call Reports**, including technical reporting clarifications.

Key updates involved:

- refinements to asset classification reporting
- reporting of credit loss provisions
- updated definitions for certain loan categories

These changes supported the **third quarter regulatory reporting cycle**.

3.3 FDIC Community Reinvestment Act Evaluations

The FDIC later released a list of institutions examined for **Community Reinvestment Act (CRA)** compliance during September 2025.

CRA examinations evaluate:

- lending to low and moderate income communities
 - investment in community development
 - service availability across communities
-

4. FDIC Financial Stability and Banking Sector Conditions

FDIC Quarterly Banking Profile

(Third Quarter 2025)

Industry earnings rose significantly in Q3 2025.

Key financial indicators

Total net income:
\$79.3 billion

Quarter over quarter increase:
\$9.4 billion

Return on assets:
1.27 percent

Community bank net income:
\$8.4 billion.

Drivers of improved profitability

Primary factors included:

- higher net interest income
- reduced credit loss provisioning
- increased trading revenue

Sector observations

Positive indicators:

- strong capital ratios
- improving profitability

Risk areas highlighted by regulators:

- commercial real estate exposures
 - liquidity management
 - interest rate risk
-

5. OCC Regulatory and Enforcement Actions

September 2025 Enforcement Announcements

The Office of the Comptroller of the Currency issued several enforcement updates.

Key actions included:

Termination of enforcement orders

The OCC terminated cease and desist orders against:

- Gateway Bank FSB
- Vast Bank NA

These orders previously addressed deficiencies in:

- capital planning
- liquidity risk management
- IT controls

- new product risk management
- strategic planning and governance.

The termination indicated that remediation requirements had been satisfied.

6. Federal Reserve Supervision

Supervisory Reform Efforts

During 2025, the Federal Reserve continued implementing a supervisory shift toward **risk-focused examinations** emphasizing material financial risks.

Key themes included:

- reduced emphasis on procedural compliance
- prioritization of capital adequacy
- liquidity risk monitoring
- credit risk exposures

The policy aligned with broader regulatory reforms across federal banking agencies.

7. Securities and Financial Markets Regulation

SEC and CFTC Regulatory Agenda Updates

In September 2025, federal agencies published the **Spring 2025 Unified Regulatory Agenda**, outlining rulemaking priorities for financial market regulators.

Key focus areas included:

SEC priorities

- investment adviser oversight
- cybersecurity disclosure rules
- market structure reforms

CFTC priorities

- digital asset derivatives oversight
 - clearinghouse resilience
 - market surveillance improvements.
-

8. Treasury, Sanctions, and Financial Intelligence

FinCEN and AML Regulatory Environment

Although no major rulemakings occurred in September itself, ongoing priorities included:

- beneficial ownership reporting enforcement
- cryptocurrency AML risk mitigation
- cross border transaction monitoring

FinCEN continued implementing provisions from the **Corporate Transparency Act**.

9. Financial Stability Oversight and Federal Coordination

FSOC and Treasury Policy Direction

Financial stability policy discussions during the period emphasized:

- systemic risk monitoring
- financial technology oversight
- artificial intelligence risks to financial markets

Treasury and FSOC increasingly evaluated:

- fintech systemic risk
- digital asset market stability
- cyber financial infrastructure threats

10. Cybersecurity and Technology Risk

Federal Cybersecurity Focus Areas

Federal cybersecurity agencies continued issuing alerts related to financial infrastructure vulnerabilities.

Key priorities across:

- CISA
- NIST
- FS-ISAC

included:

Banking sector threats

- ransomware targeting financial institutions
- supply chain compromises in financial software
- credential theft campaigns targeting payment systems

Technology risk management priorities

- zero trust architecture
 - AI governance frameworks
 - third party vendor risk
-

11. Consumer Financial Protection and Retail Banking

CFPB Activity

During September 2025, the CFPB continued enforcement and supervision activities focusing on:

- fair lending compliance
- mortgage servicing practices
- credit reporting disputes
- consumer data access

However, the agency faced increasing political and legal challenges related to its funding structure and authority.

12. Housing Finance and Mortgage Regulation

Housing regulators continued focusing on:

- mortgage market stability
- fair lending enforcement
- affordability initiatives

Federal agencies coordinated supervision across:

- FHFA
 - HUD
 - CFPB
-

13. State Regulatory Developments

State banking regulators continued issuing:

- supervisory guidance
- enforcement actions
- licensing updates

Major states with active regulatory activity included:

- New York
- California
- Texas
- Florida
- Illinois

State regulators also increased attention to:

- fintech licensing
 - cryptocurrency activities
 - consumer financial protection enforcement
-

14. Industry and Policy Organization Activity

Major banking industry organizations issued policy positions addressing:

Regulatory priorities

- capital requirement recalibration
- examination process reforms
- fintech competition
- digital asset regulatory clarity

Organizations involved included:

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

15. Key Regulatory Themes Emerging in September 2025

Across the hundreds of sources monitored, several **systemic themes** emerged.

1. Supervisory Deregulation

Regulators emphasized:

- reduced reliance on subjective supervisory criteria
 - removal of reputation risk frameworks
 - streamlined examination processes
-

2. Monetary Policy Transition

The Federal Reserve began:

- gradual easing of interest rates
 - monitoring economic slowdown signals
-

3. Enforcement Rationalization

Regulators adopted more flexible approaches to enforcement order termination.

4. Focus on Core Financial Risks

Supervision increasingly prioritized:

- capital adequacy
 - liquidity management
 - credit quality
-

5. Technology and Cyber Risk

Regulatory focus expanded toward:

- AI risk governance
 - cybersecurity resilience
 - fintech oversight
-

16. Strategic Implications for Financial Institutions

The September 2025 regulatory landscape suggests several operational implications.

For banks

Institutions should focus on:

- core financial risk management
- capital planning
- credit portfolio monitoring

For compliance teams

Key priorities include:

- enforcement order remediation
- CRA examination preparation
- regulatory reporting accuracy

For risk management

Critical focus areas include:

- cyber resilience
 - vendor risk management
 - emerging technology governance
-

17. Conclusion

September 2025 represented a **period of regulatory recalibration across U.S. financial oversight authorities.**

Key developments included:

- a Federal Reserve interest rate cut signaling monetary easing
- FDIC enforcement policy reform
- OCC enforcement order terminations

- improved banking sector profitability
- continued regulatory focus on material financial risk

These changes collectively reflect a shift toward **more targeted, risk based supervision combined with gradual monetary accommodation.**