

May 2024 Regulatory and Supervisory Updates Across Banking, Payments, and Financial Services

May 2024 highlights

In May 2024, federal banking and consumer finance oversight focused on interest rate continuity, core safety and soundness monitoring, and updates that operational teams typically translate into near term program changes. The Federal Reserve held the federal funds target range at 5.25 percent to 5.50 percent at its May meeting. [1]

Interagency supervision placed emphasis on practical risk management resources for community banks, including a federal banking agencies guide on managing risks from third party relationships. [2]

Data and risk surveillance outputs from FDIC during May included its 2024 Risk Review and the First Quarter 2024 Quarterly Banking Profile press release highlighting industry profitability, net interest margin, and areas of credit deterioration that supervision teams monitor closely. [3]

In consumer and investor protection, May included major litigation and enforcement related developments, including a decision by U.S. Supreme Court[4] on CFPB funding, CFPB actions on student loan servicing and consumer redress, and SEC adoption of amendments to Regulation S P that broaden privacy and safeguarding expectations and add incident response and notification requirements. [5]

In financial crime, sanctions, and national security linked controls, May included FinCEN guidance on identifying and reporting suspicious activity tied to financing of Iran[6] backed terrorist organizations, a Treasury and SEC proposed customer identification program regime for investment advisers, and multiple OFAC sanctions list updates and general licenses across Russia[7], Venezuela[8], and North Korea[9] related programs. [10]

Federal banking and prudential supervision

Monetary policy stance and implementation signals

The Federal Reserve's May 1, 2024 FOMC statement maintained the target range for the federal funds rate at 5.25 percent to 5.50 percent and described the policy framework and data dependence for future adjustments. [11]

Supervision transparency and banking system monitoring

The Federal Reserve's semiannual Supervision and Regulation Report issued in May 2024 described its supervision perimeter, summarized banking system conditions, and

provided updates on supervisory and regulatory developments intended to increase transparency into supervisory priorities and actions. [12]

Interagency operational guidance for community banks

On May 3, 2024, FDIC, the Federal Reserve Board, and OCC released “Third Party Risk Management: A Guide for Community Banks,” describing considerations and examples across each phase of a third party relationship lifecycle and positioning the document as a practical companion to the June 2023 interagency third party risk management guidance. [2]

Incentive based compensation re proposal for larger institutions

During May 2024, OCC advanced an interagency notice of proposed rulemaking to implement Section 956 of the Dodd Frank Act on incentive based compensation arrangements at covered institutions. The OCC bulletin describes coverage starting at average total consolidated assets of at least \$1 billion, the core prohibitions on incentive compensation that encourages inappropriate risk through excessive compensation or material financial loss, and stronger deferral, forfeiture, and clawback style mechanisms for larger covered institutions. [13]

FDIC related statements and material around the same re proposal framed the initiative as a re launch of a long delayed joint rulemaking effort tied to lessons from supervision and banking stress events. [14]

Regulatory reporting and call report revisions

FDIC issued a Financial Institution Letter describing revisions to the Call Reports (FFIEC 031, 041, 051) and the FFIEC 002 report. The communication describes moving forward with revisions aligned to ASU 2022 02 terminology changes, reporting of institution trade name website addresses, and ongoing standards for electronic signatures, with certain updates effective for the June 30, 2024 report date and additional items staged for later reporting dates. [15]

FDIC systemic risk surveillance publications and supervisory signals

FDIC’s May 2024 public releases included an annual risk assessment and quarterly performance snapshot widely used as supervisory context for portfolio reviews and risk appetite calibration.

FDIC’s 2024 Risk Review summarized economic, market, and banking conditions and structured banking risk monitoring across market and liquidity risk, credit risk in multiple portfolios, operational risk, crypto asset risk, and climate related financial risk, with attention to community bank exposures. [16]

FDIC’s First Quarter 2024 Quarterly Banking Profile press release reported aggregate net income of \$64.2 billion for FDIC insured institutions, with discussion of noninterest expense dynamics, a net interest margin of 3.17 percent, and higher noncurrent and

charge off rates in specific portfolios such as credit cards and non owner occupied commercial real estate, including office exposures. [17]

Enforcement visibility and select supervisory themes

OCC's May 23, 2024 enforcement actions release summarized formal agreements with supervised banks and individual prohibition orders, illustrating continued emphasis on governance, controls, confidentiality, and loss prevention in supervised entities. [18]

FDIC announced a \$1.5 million civil money penalty settlement with Bank of England in England, Arkansas and individual actions involving nine former employees, citing violations of consumer protection and mortgage related statutes and disclosure regimes. [19]

FDIC also later published a consolidated list of administrative enforcement orders taken in May 2024, reporting 15 issued orders across multiple order types. [20]

Consumer financial protection and conduct

Constitutional litigation shaping CFPB operating continuity

On May 16, 2024, U.S. Supreme Court[4] issued its decision in Consumer Financial Protection Bureau v. Community Financial Services Association of America, Limited, holding that CFPB's funding mechanism aligns with the Appropriations Clause framework applied in the case. [21]

CFPB enforcement and remediation actions

On May 6, 2024, CFPB announced actions requiring National Collegiate Student Loan Trusts[22] and Pennsylvania Higher Education Assistance Agency[23] to pay more than \$5 million, describing servicing failures tied to borrower requests for payment relief. [24]

On May 15, 2024, CFPB announced a distribution of more than \$384 million to about 191,000 consumers harmed by Think Finance[25], describing the payment as a Civil Penalty Fund distribution. [26]

Consumer market monitoring and complaint signals

On May 9, 2024, CFPB published a report describing consumer complaints and frustrations related to credit card rewards programs, including issues around devaluation and redemption constraints. [27]

CFPB also issued its Supervisory Highlights, Issue 33, Spring 2024 through the Federal Register process in early May, which presented examination based findings in the mortgage servicing domain. [28]

Buy now pay later interpretive rule publication

On May 31, 2024, the Federal Register published CFPB's Truth in Lending Regulation Z interpretive rule on the use of digital user accounts to access buy now pay later loans. [29]

FTC financial practices enforcement relevant to consumer finance ecosystems

In May 2024, FTC announced a settlement tied to Aqua Finance, Inc. [30] that provided \$20 million in refunds and \$23.6 million in debt forgiveness tied to alleged deceptive sales practices by dealers and related financing conduct. [31]

Illicit finance, sanctions, and market integrity

FinCEN advisory signals and SAR filing expectations

FinCEN issued Advisory FIN 2024 A001 on May 8, 2024 focused on detecting and reporting potentially illicit transactions tied to financing of Iran [6] backed terrorist organizations. The advisory includes typologies, red flags, and explicit SAR filing instructions, including use of the keyword IRANTF 2024 A001 in SAR field 2 and the narrative, and selection of the terrorist financing activity type. [32]

Investment adviser CIP rule proposal as AML perimeter expansion

On May 13, 2024, SEC and FinCEN proposed customer identification program requirements for SEC registered investment advisers and exempt reporting advisers, describing a requirement to establish, document, and maintain written CIPs and to implement procedures to identify and verify customer identity, framed as strengthening the AML and counter terrorist financing framework for the investment adviser sector. [33]

The proposed CIP framework was also published in the Federal Register on May 21, 2024 with a comment deadline and extensive discussion of verification methods and expected compliance cost impacts. [34]

FinCEN also maintained a dedicated Federal Register notice page for this NPRM, aligning the proposal to its rulemaking inventory for AML modernization. [35]

OFAC sanctions list updates and general licenses relevant to screening operations

OFAC activity during May 2024 included multiple sanctions list updates and related general licenses, creating near term screening and escalation work for sanctions operations teams.

On May 1, 2024, OFAC issued Russia related General Licenses 95, 96, and 97 and published accompanying designations and updates tied to Russia related authorities. [36]

On May 2, 2024, OFAC published counter terrorism designations tied to Hizballah related networks, with additions to the SDN list. [37]

On May 7, 2024, OFAC published a cyber related designation adding an individual identified as a senior leader of LockBit[38] to the SDN list. [39]

On May 10, 2024, OFAC issued Venezuela General License 8N for limited maintenance or wind down transactions involving Petróleos de Venezuela, S.A.[40]. [41]

On May 16, 2024, OFAC published North Korea related designations plus amendments and extensive FAQ activity tied to Iran related communications authorizations within the Iranian Transactions and Sanctions Regulations framework. [42]

On May 31, 2024, OFAC published additional Iran related and nonproliferation related SDN list updates. [43]

Cybersecurity and operational resilience

CISA alerts and exploited vulnerability posture management

In May 2024, CISA published an alert addressing Microsoft[44] May 2024 security updates, signaling patching urgency for enterprises running affected products. [45]

CISA also published a May 30, 2024 alert stating that it added two vulnerabilities to the Known Exploited Vulnerabilities Catalog based on evidence of active exploitation, reinforcing vulnerability management expectations tied to prioritization and remediation timelines. [46]

Sanctions linked cyber disruption signals

OFAC's May 7 cyber designation targeting a senior leader of LockBit[38] linked sanctions operations with ransomware disruption objectives and created an additional identifier set to integrate into sanctions screening and digital asset exposure reviews. [39]

NIST cybersecurity controls updates relevant to regulated firms and vendors

On May 14, 2024, NIST published final updates to SP 800 171 Revision 3 and SP 800 171A Revision 3 for protecting Controlled Unclassified Information in nonfederal systems and assessment procedures, with structural alignment to SP 800 53 Revision 5 controls, use of organization defined parameters, and updated tailoring criteria. [47]

State regulators and industry coordination

Selected state regulator publications and alerts

NYDFS issued guidance on May 30, 2024 requiring NYDFS regulated virtual currency entities to maintain policies and procedures for customer service requests and complaints and to collect relevant data for supervisory assessment of timeliness and fairness. [48]

CA DFPI issued its May 2024 Monthly Bulletin, describing that the bulletin covered the month ended April 30, 2024 and including items tied to consumer financial protection law enforcement metrics, crypto related complaint trends, escrow reporting deadlines, and licensee activity. [49]

The Texas Department of Banking posted a May 13, 2024 consumer alert regarding fraudulent websites purporting to offer banking services, illustrating a recurring state level fraud and impersonation response pattern. [50]

Florida's Office of Financial Regulation issued proclamations on May 10 and May 13, 2024 regarding May North Florida tornadoes, reflecting disaster related regulatory responsiveness for affected financial institutions and securities professionals. [51]

Illinois IDFP published a May 2024 enforcement report announcement describing enforcement actions signed during the month of May 2024 across its divisions, providing additional state level enforcement visibility. [52]

Multistate coordination, federalism themes, and trade group positioning

CSBS published multiple May 2024 press items reflecting state regulator coordination themes, including a May 20 request for public comment on proposed NMLS fee increases in 2025 and a May 30 statement reacting to *Cantero v. Bank of America*. [53]

On May 30, 2024, U.S. Supreme Court[4] issued its decision in *Cantero v. Bank of America, N.A.*[54] addressing National Bank Act preemption analysis under the Dodd Frank framework, vacating and remanding for further analysis consistent with the governing standard. [55]

In trade group coverage, ABA Banking Journal reported on May 14, 2024 that the association raised concerns about implementation complexity and drafting issues in the CRA regulatory rollout and referenced letters to banking regulators on timing and applicability adjustments. [56]

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