Banking and Finance Law Daily Wrap Up, FEDERAL RESERVE SYSTEM—Fed looks to enhance bank supervision, (Nov. 18, 2025)

Banking and Finance Law Daily Wrap Up

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By Colleen M. Svelnis, J.D.

The Fed has released a “Statement of Supervisory Operating Principles,” representing a significant shift from the Fed’s past operating practices.

The Federal Reserve Board has released its Statement of Supervisory Operating Principles, which includes information regarding changes to how the Fed’s Division of Supervision and Regulation handles bank supervision. The new supervisory operating principles were provided to all Federal Reserve supervisory leadership and staff and are intended to focus examiners on material financial risks threatening the safety and soundness of banks and on taking timely, proportionate action to ensure that those risks are properly addressed.

The principles align bank examination and ratings to material financial risks, reduce duplication between exams from different supervisors, and streamline the remediation of issues cited by supervisors, among other things. The Fed is training examiners to help ensure prompt implementation of the principles. Supervision leadership will continue to refine these principles and expects to formalize them in public supervisory guidance or regulatory changes, where appropriate.

“Our supervisory approach is not about narrowing our focus—it is about sharpening it,” said Fed Vice Chair for Supervision Michelle W. Bowman. “By anchoring our work in material financial risks, we strengthen the banking system's foundation while upholding transparency, accountability, and fairness. This is not about what we are leaving behind—it is about building a more effective supervisory framework that truly promotes safety and soundness across our financial system, which is the Federal Reserve's core supervisory responsibility.”

According to the statement, the priorities and principles “provide an outline of broad changes to the conduct of supervision,” including both what the Fed does and how they do it.

The changes are intended to strengthen supervision by focusing on identifying and taking “timely proportionate action” as early as possible to eliminate the most important risks threatening the safety and soundness of banking organizations. The changes “represent a significant shift from past operating practices.”

The new principles state that examiners and other supervisory staff should be focused on the responsibility of the Fed to promote the safe and sound operation of banks and the stability of the U.S. financial system.

In furtherance of this mission:

- examiners are encouraged and expected to use their reasoned judgment;
- examiners and other supervisory staff should prioritize their attention on a firm’s material financial risks;
- when evaluating and rating bank holding companies, savings and loan holding companies, and the U.S. operations of foreign banks, the Gramm-Leach-Bliley Act of 1999 requires examiners to rely to the maximum extent possible on the examinations and other supervisory work by the primary state or federal banking supervisor for their depository institution subsidiaries other than state member banks;
- when evaluating and rating state member banks for which the Fed is the primary federal supervisor, examiners should work jointly with the state banking agency.

The principles also state that examiners and other supervisory staff need to change the way they decide whether a matter requiring attention (MRA), matter requiring immediate attention (MRIA), or requirement in an enforcement action can be terminated because the underlying deficiency has been fully remediated.

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Further, examiners and other supervisory staff should not discourage or prohibit firms from taking into account liquidity available from the Federal Home Loan Banks (FHLBs) in managing their liquidity or performing their internal liquidity stress tests. And supervisory ratings “should accurately reflect an institution’s financial condition and material financial risks.”

Further changes. With regard to the standard for issuing MRAs and MRIAs based on threats to safety and soundness—the Fed noted that this will be changing, and that work is underway to provide more specific guidance. Examiners and other supervisory staff will no longer be permitted to communicate MRAs and MRIAs in vague or overbroad language.

The Fed’s interpretation of the statutory standard for issuing enforcement actions based on an unsafe or unsound practices will also be changing and the Fed noted that work is underway to clarify this standard.

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