Statement in Support of the Fed's Supervisory Reforms

November 18, 2026

The Committee on Capital Markets Regulation ("Committee") supports the ongoing effort by the Federal Reserve ("Fed") to reform its process for bank supervision by focusing supervisors' attention on a bank's most significant risks and requiring swift action from supervisors and managers to remediate those risks.[1]

The core function of bank supervision is to identify practices that threaten the stability of a bank or the broader financial system and to require action to remediate those practices.[2] However, in the past, Fed supervisors have devoted significant attention to process and procedural compliance issues, which may limit their ability to address a bank's most significant vulnerabilities.[3]

The 2023 crisis at Silicon Valley Bank ("SVB") exemplifies these issues. SVB management incurred interest rate risk that threatened the bank's ability to withstand a run on deposits. Fed supervisors identified this risk as early as 2022 but, in the 54 matters requiring attention or immediate attention issued to SVB between 2019 and its failure, devoted much of their attention to procedural and governance deficiencies rather than requiring SVB managers to remediate this risk.[4] The ensuing failures of SVB and two other U.S. banks cost the Deposit Insurance Fund ("DIF") approximately $35 billion.[5]

In September 2026, the Fed published its *Updated Statement of Supervisory Operating Principles*, which directs changes to the Fed's supervisory process with the aim of addressing these issues.[6] The statement instructs examiners and supervisory staff to prioritize risks that pose "a significant probability of significant harm" to banks' financial condition, the DIF, or U.S. financial stability, while avoiding excessive attention to procedural and documentation shortcomings that do not pose significant risks.[7] It also directs supervisors to require prompt, decisive, and proportionate action to address significant threats. These reforms do not reduce the rigor of supervision; they

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[1] *See* FEDERAL RESERVE, DIVISION OF SUPERVISION AND REGULATION, *Updated Statement of Supervisory Operating Principles* (Sept. 24, 2026), https://www.federalreserve.gov/supervisionreg/files/statement-of-supervisory-operating-principles-20260924.pdf; Vice Chair for Supervision Michelle W. Bowman, *Modernizing the Regulatory and Supervisory Landscape* (Oct. 6, 2026), https://www.federalreserve.gov/newsevents/speech/bowman20261006a.htm.

[2] FEDERAL RESERVE, *Risk-focused Safety and Soundness Examinations and Inspections*, *SR 96-14* (May 24, 1996), https://www.federalreserve.gov/supervisionreg/srletters/SR9614.htm.

[3] FEDERAL RESERVE, *Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank* (2023), https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf; U.S. GOVERNMENT ACCOUNTABILITY OFFICE, *Bank Supervision: More Timely Escalation of Supervisory Action Needed*, *GAO-24-106974* (Mar. 6, 2024), https://www.gao.gov/products/gao-24-106974.

[4] FEDERAL RESERVE, *supra* note 3, at 27, 97.

[5] FEDERAL DEPOSIT INSURANCE CORPORATION, *BankFind Suite: Failures and Assistance*, https://banks.data.fdic.gov/bankfind-suite/failures (last visited Nov. 10, 2026).

[6] FEDERAL RESERVE, *supra* note 1.

[7] *Id*. at 2.

concentrate it, and they should produce faster and more forceful remediation of the risks that matter most.

There are several reasons that adopting these principles benefits the stability and efficiency of the U.S. banking system. First, the stability of the banking system depends primarily on banks' ability to manage significant risks to their financial condition.[8] Focusing examiners' attention on such risks will therefore make the supervisory framework more effective in fulfilling its core mandate of preserving the safety and soundness of the banking system. Second, banks are subject to extensive regulatory requirements governing their operations. Supervisory demands that exceed or duplicate those requirements without addressing significant risks do not advance the objective of safety and soundness. Third, reducing supervisory demands that do not address significant risks supports the international competitiveness of U.S. banks by allowing them to devote more resources to managing significant risks and serving customers. The Fed's reforms are also consistent with the OCC's and FDIC's 2025 rulemakings to refocus their supervisory frameworks on material financial risks, which the Committee also supported.[9]

Vice Chair for Supervision Michelle Bowman has also announced organizational reforms to implement these principles that we support. These include reforming the use of committees to prevent unnecessary delays and realigning supervision into five regions, each led by a Fed official accountable for supervisory activity within that region. The aim is to clarify decision-making authority and accountability so that examination teams can act promptly on identified risks.[10]

The Committee supports the Fed's supervisory reforms as an important step toward more effective bank supervision and enhanced stability of the U.S. banking system.

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[8] FEDERAL RESERVE, *Understanding Federal Reserve Supervision* (Apr. 27, 2023) (https://www.federalreserve.gov/supervisionreg/understanding-federal-reserve-supervision.htm).

[9] COMMITTEE ON CAPITAL MARKETS REGULATION, *Comment Letter to the OCC and FDIC Re: Unsafe or Unsound Practices, Matters Requiring Attention, Prohibition on Use of Reputation Risk by Regulators* (Dec. 29, 2025), https://capmktsreg.org/wp-content/uploads/2025/12/CCMR-Comment-Letter-on-Supervision-and-Enforcement-Proposals-12.29.25-Final.pdf.

[10] Bowman, *supra* note 1.