Better Bank Supervision | Toolkit

Regulatory Solutions

The White House, Congress and regulators have already taken important steps to address regulatory and supervisory overreach, but there is more to be done. **Our goal isn't less supervision. It's better supervision, focused where it counts most: on the actual financial health and resilience of our banks.**

1 Refocus bank exams on what matters: material risks that reflect a bank's financial condition and objective standards.

Bank exams should focus on material financial risks (things like whether a bank has enough capital and liquidity to operate safely) rather than vague or subjective concerns.

In Progress Lawmaker and Agency Actions: FIRM Act, Elimination of Reputational Risk in Exams, HUMPS Act, LFI Proposal

2 Modernize anti-money laundering rules to address bank account access concerns driven by regulatory and supervisory overreach.

3 Define "unsafe and unsound" practices by rulemaking.

In Progress Lawmaker and Agency Actions: FIRM Act, Elimination of Reputational Risk in Exams.

4 Repeal illegal guidance.

- Repeal unlawful or improperly issued guidance (e.g., leveraged lending, venture capital, model risk) and clarify that agency policy decisions should be adopted through proper process mandated by law, not by non-public supervisory directives.

In Progress Lawmaker and Agency Action: SAFE Guidance Act

5 Restore fairness, efficiency and coordination.

Eliminate duplicative examinations across multiple agencies, including consumer exams.

In Progress Lawmaker and Agency Actions: FAIR Exams Act, HUMPS Act

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Lawmaker and Agency Actions

- **The FIRM Act:** Sponsored by Senate Banking Committee Chairman Tim Scott (R-SC) in the Senate and Reps. Andy Barr (R-KY) and Ritchie Torres (D-NY) in the House, would help refocus supervision on material risks and objective metrics by prohibiting the prudential banking agencies from considering reputational risk in supervisory actions.
- **Elimination of Reputational Risk in Exams:** The Office of the Comptroller of the Currency (March 2025) and Federal Reserve (June 2025) announced they would eliminate reputational risk as part of the bank examination process. The FDIC has also signaled that it plans to move forward with a rulemaking taking similar action (April 2025).
- **The FAIR Exams Act:** Sponsored by House Financial Services Committee Chairman French Hill (R-AR), seeks to establish a fair process for banks to appeal supervisory decisions, require regulators to complete examinations in a timely manner and create an independent office to apply much-needed accountability to supervision.
- **The HUMPS Act:** Sponsored by Rep. Scott Fitzgerald (R-WI), would increase transparency in financial institution supervision and work toward reforming the subjective CAMELS rating system.
- **The SAFE Guidance Act:** Sponsored by Rep. Dan Meuser (R-PA), would ensure transparency and limit abuse of regulatory "guidance" by requiring financial agencies to include a clear disclaimer on the first page of any guidance document. This disclaimer must state that such guidance does not carry the force of law and that noncompliance does not constitute a legal violation.
- **LFI Proposal:** A Federal Reserve proposal to reform the Large Financial Institutions Rating System.