

STATEMENT BY

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on

“Oversight of Prudential Regulators”

before the

**COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES**

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Introduction

Chairman Hill, Ranking Member Waters, and Members of the Committee, I appreciate the opportunity to report on the Federal Deposit Insurance Corporation's (FDIC) recent work to improve our regulatory and supervisory approach, while we continue to fulfill our core mission of insuring deposits, promoting banks' safety and soundness, and resolving failed institutions.

Supervision Reform

The FDIC and other federal banking agencies are responsible for promoting the safety and soundness of supervised banks. For over a year, we have been reforming supervision to focus on material financial risks rather than on process-oriented, check-the-box requirements. The FDIC is implementing a number of changes to effectuate these reforms. These efforts are culminating in a more effective and efficient supervisory framework while continuing to support the safety and soundness and resiliency of individual institutions and the system overall.

“Unsafe or Unsound” Practice

In October 2025, the FDIC and the Office of the Comptroller of the Currency (OCC) issued a joint notice of proposed rulemaking to define an “unsafe or unsound practice” and “matter requiring attention” (MRA).¹ The proposal would ensure that enforcement actions taken under Section 8 of the Federal Deposit Insurance Act and MRAs are based on (1) practices and issues most impactful to an institution's safety and soundness or (2) in certain cases, violations of laws and regulations. The comment period closed in December, and the FDIC and OCC are working to finalize the rule in the coming weeks.

¹ See Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, [Unsafe and Unsound Practices, Matters Requiring Attention](#), 90 Fed. Reg. 48835 (Oct. 30, 2025).

Supervisory Recommendations Review

Parallel to the rulemaking effort to define “unsafe or unsound practice” and MRA, the FDIC began directing our examiners to focus examinations on material financial risks and violations of banking and banking-related laws and regulations. This has involved, for ongoing examinations, closing outstanding matters requiring board attention (MRBA) and supervisory recommendations² inconsistent with the new focus, while continuing to require remediation of issues and practices that present material financial risks. We also commenced a “lookback” review of outstanding MRBAs and supervisory recommendations to ensure consistency with our revised supervisory approach. Following completion of the review and finalization of the proposed rule to define unsafe or unsound practices and MRAs, we will close MRBAs or supervisory recommendations still outstanding that are inconsistent with the new standards. Supervisory criticisms that satisfy the new standards will be converted to MRAs. The FDIC continues to coordinate with our state counterparts in an effort to align our supervisory expectations.

CAMELS Rating System

We have also been working with our fellow members of the Federal Financial Institutions Examination Council (FFIEC) to revise the Uniform Financial Institution Rating System, more commonly known as the CAMELS rating system, to similarly shift the emphasis of the component and composite ratings towards practices most impactful to an institution’s safety and soundness. Last month, the FFIEC issued a proposal that would revise the CAMELS rating system by, among other things, (1) updating the Management rating definitions and evaluation

² The FDIC currently uses the terms “matter requiring board attention” and “supervisory recommendation,” but will replace these terms with the term “matter requiring attention” upon finalization of the rulemaking described above.

factors to focus on the most material aspects of risk management and reduce the outsized influence of the Management rating in the overall composite rating assessment, (2) limiting the impact of specialty exam considerations to those that pose material financial risk, and (3) focusing the ratings definitions and evaluation factors on the areas most impactful to an institution's financial condition. The comment period closes August 17, 2026, and we look forward to receiving feedback on the proposal.

Examiner Training

In order to ensure the consistency and durability of these reforms, examiner training is vital. The FDIC has been conducting training sessions for examiners that are geared towards reorienting our examination programs to focus on material financial risks and violations of laws and regulations. Additionally, we are revising core examination schools and examination manuals, as well as developing training to implement and promote consistent application of the definitions for “unsafe or unsound practice” and MRA upon finalization of the rule. Additional training will be developed and delivered to reflect any changes in the CAMELS framework once finalized.

Capital Standards

Strong capital standards play a critical role in helping to ensure a resilient banking system. At the same time, setting capital standards requires balancing safety and soundness and resilience with enabling banks to drive economic growth and support their customers and communities. The FDIC has been pursuing adjustments to capital rules with these objectives in mind.

Modernizing Risk-Based Capital Requirements

In March 2026, the banking agencies concurrently issued two proposals to modernize risk-based capital requirements. The first proposal would enhance the risk sensitivity of the capital requirements applicable to the largest banks while simplifying core components of the regulatory capital framework (expanded risk-based proposal).³ Improvements in risk sensitivity will allow banks to expand their activities in certain areas and support broader economic growth. For example, the proposal provides relatively lower capital requirements for residential mortgages when the borrower has greater amounts of equity in the property and establishes new granular capital requirements for retail lending that are based on credit characteristics of the borrower.

Though the proposal is generally consistent with the international capital standards issued by the Basel Committee, it includes important provisions to reflect the unique characteristics of the U.S. banking industry and capital markets. For example, the proposal introduces granular capital requirements for business lending that do not rely on credit ratings, consistent with Federal law.⁴ Although the framework would be mandatory for the largest, most complex banks, the proposal would allow banks of all sizes to opt in.

The second proposal, the so-called standardized approach proposal, would apply to banks that are not subject to, or do not adopt, the capital framework under the expanded risk-based proposal.⁵ Though the standardized approach proposal is less complex than the expanded risk-

³ See Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, [Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Operational Adoption for Other Banking Organizations](#), 91 Fed. Reg. 14952 (March 27, 2026).

⁴ 15 U.S.C. § 78o-7 note.

⁵ See Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, [Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets](#), 91 Fed. Reg. 15332 (March 27, 2026). Banks that opt in to the CBLR framework would also not be subject to the standardized approach proposal.

based proposal, it similarly would improve the risk sensitivity of capital requirements for material lending activities such as residential mortgage and retail lending, with the same policy objectives of incentivizing banks to support individuals, businesses, and broader economic growth. Comments on both proposals are due June 18, 2026, and we look forward to receiving feedback.

Community Bank Leverage Ratio (CBLR)

In the years following implementation of the CBLR framework, the agencies observed that the adoption rate was lower than expected and that the original calibration and design may have disincentivized its usage. To encourage broader adoption and provide additional burden relief for community banks, in April 2026, the FDIC, along with the OCC and Federal Reserve, issued a joint final rule that lowered the minimum CBLR requirement and extended the period of time that banks have to come back into compliance with the CBLR framework should they temporarily fail to meet the qualifying criteria.⁶ The revised CBLR requirement will be available to community banks as of July 1 of this year.

Resolution

The FDIC continues to improve the bank resolution process by enhancing our internal readiness, increasing the effectiveness of its marketing efforts, and removing impediments to parties seeking to participate in failed bank auctions.

IDI Rule

In December 2025, the FDIC issued a Financial Institution Letter (FIL) that previewed forthcoming changes to the resolution planning process for large insured depository institutions

⁶ See Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, [Regulatory Capital Rule: Community Bank Leverage Ratio Framework](#), 91 Fed. Reg. 22973 (April 29, 2026).

(IDI Rule).⁷ The FDIC plans to issue a proposal in the coming weeks to amend the IDI Rule, which will include enhancing our focus on obtaining the information that most directly supports the FDIC’s resolution readiness. In addition, the FDIC recently finished its review of resolution submissions from large IDIs submitted in 2025, and we will soon receive submissions from the next wave of filers, including the IDI affiliates of U.S. global systemically important banks (GSIBs). These submissions were streamlined to focus on information most relevant to supporting the FDIC’s ability to execute a rapid, low-cost failed bank resolution under the Federal Deposit Insurance Act (FDI Act).

The FDIC recently began testing the capabilities of large IDIs to submit accurate operational and financial data in a timely manner to the FDIC’s virtual data room. This capability ensures a bank in distress can provide accurate information to the FDIC and potential acquirers, which, in turn, supports a rapid sale.

Nonbank Acquirers of Failed Banks

To enhance the competitiveness of our bidding process and to remove unnecessary barriers to participation, the FDIC recently rescinded the 2009 Statement of Policy on Qualifications for Failed Bank Acquisitions.⁸ This Statement of Policy established overly restrictive conditions for private capital investors that went beyond the generally applicable statutory and regulatory requirements for other potential bidders and discouraged viable acquirers from participating in failed-bank resolutions. The rapid failures of Silicon Valley

⁷ See Federal Deposit Insurance Corporation, Financial Institution Letter, [FDIC Provides Update on IDI Resolution Planning for Large Banks](#) (FIL-63-2025) (December 31, 2025); Federal Deposit Insurance Corporation, [Resolution Plans Required for Insured Depository Institutions With \\$100 Billion or More in Total Assets; Informational Filings Required for Insured Depository Institutions With at Least \\$50 Billion but Less Than \\$100 Billion in Total Assets](#), 89 Fed. Reg. 56620 (July 9, 2024).

⁸ See Federal Deposit Insurance Corporation, [Recission of the Statement of Policy on Qualifications for Failed Bank Acquisitions](#), 91 Fed. Reg. 13847 (March 23, 2026).

Bank, Signature Bank, and First Republic Bank in 2023 underscored the potential need to access large amounts of capital very quickly. By rescinding the policy, private capital investment in failing financial institutions will face fewer hurdles, which could result in increased resolution options and reduced costs to the Deposit Insurance Fund.

In addition, the FDIC has also been exploring potential changes to the shelf charter process to allow a nonbank entity (or entities) to rapidly establish a shelf charter to bid on a failed institution in the event of a sudden, unexpected failure. The FDIC is coordinating with the OCC and the Federal Reserve on this effort.

Digital Assets

Guiding and Establishing National Innovation for U.S. Stablecoins Act Implementation

In July 2025, President Trump signed into law the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act),⁹ which established a Federal regulatory framework for payment stablecoin issuers. The FDIC is responsible for regulating and supervising subsidiaries of FDIC-supervised IDIs approved to issue payment stablecoins.

In December 2025, the FDIC issued a proposed rule that would establish an application framework for FDIC-supervised IDIs to issue payment stablecoins pursuant to the GENIUS Act's requirements.¹⁰ Under the proposed framework, the FDIC would evaluate applications based on the statutory factors, process applications within specified timeframes, and establish an appeal process for denied applications. The public comment period, which the FDIC extended, recently closed on May 18, 2026, and we are currently reviewing comments.

⁹ Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, Pub. L. No. 119-27, 139 Stat. 419 (2025) (codified at 12 U.S.C. §§ 5901 – 5916).

¹⁰ See Federal Deposit Insurance Corporation, [Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions](#), 90 Fed. Reg. 59409 (Dec. 19, 2025).

In April 2026, the FDIC issued a separate proposed rule to implement the GENIUS Act’s prudential requirements for FDIC-supervised payment stablecoin issuers.¹¹ The proposal would establish requirements related to reserve assets, stablecoin redemptions, and capital standards, among others. The FDIC generally endeavored to align the proposed rule with similar requirements proposed by the OCC, to the extent relevant, while tailoring requirements where appropriate based on the business model and risk profile of the subset of issuers under the FDIC’s jurisdiction.

In addition, the proposed rule would clarify that payment stablecoin reserves held as bank deposits would not be insured on a pass-through basis under the FDIC’s pass-through deposit insurance coverage rules.¹² The proposal would also clarify that the FDI Act’s definition of a deposit is technology neutral and, therefore, a depositor using tokenized deposits is afforded the same deposit insurance coverage as a depositor using non-tokenized deposits. The public comment period on the proposal closes on June 9, 2026, and we look forward to receiving feedback on the proposal.

In May 2026, the FDIC issued a proposed rule that would implement the Bank Secrecy Act (BSA) and economic sanctions compliance obligations for FDIC-supervised payment stablecoin issuers,¹³ as required by the GENIUS Act and consistent with regulations recently jointly proposed by the U.S. Department of the Treasury’s Financial Crimes Enforcement

¹¹ See Federal Deposit Insurance Corporation, [GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions](#), 91 Fed. Reg. 18534 (April 10, 2026).

¹² 12 CFR 330.5(b); 12 CFR 330.3(h).

¹³ See Federal Deposit Insurance Corporation, Press Release, [FDIC Board Approves Proposal to Address Bank Secrecy Act and Sanctions Compliance Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers](#) (May 22, 2026).

Network (FinCEN) and Office of Foreign Access Control.¹⁴ Additionally, we anticipate issuing a joint proposed rule in the very near future with our fellow regulators concerning Customer Identification Program, or CIP, requirements for payment stablecoin issuers.

As we work toward finalizing these rulemakings, FDIC staff are preparing to receive and process applications and developing our supervisory and examination processes.

Capital Treatment of Tokenized Securities

In March, the FDIC, together with the OCC and Federal Reserve, jointly issued answers to frequently asked questions (FAQs) to clarify the capital treatment of tokenized securities.¹⁵ The FAQs clarified that a tokenized security should generally receive the same capital treatment as the non-tokenized form of the security, that the capital rule is technology neutral, and that the technologies used to issue and transact in a security generally do not impact its capital treatment.

Other Policy Work

BSA Program Rule

The FDIC continues to work with our fellow federal financial institution regulatory agencies and FinCEN on reforms to modernize BSA-related regulations, supervision, and enforcement consistent with the Anti-Money Laundering Act of 2020. On April 7, the FDIC issued jointly with OCC and the National Credit Union Administration a proposed rule that would amend the requirements for supervised institutions to establish and maintain effective risk-based anti-money laundering and countering the financing of terrorism (AML/CFT)

¹⁴ See Office of Foreign Assets Control and Financial Crimes Enforcement Network, [Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Compliance Program Requirements](#), 91 Fed. Reg. 18582 (April 10, 2026).

¹⁵ See Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, Press Release, [Agencies Clarify the Capital Treatment of Tokenized Securities](#) (March 5, 2026).

programs designed to identify, assess, and mitigate risks of illicit finance in a manner that aligns the agencies' AML/CFT rules with changes concurrently proposed by FinCEN.¹⁶ Overall, changes in the proposed BSA program rule are focused on effectiveness and outcomes by aligning regulation and examination with money laundering and terrorist financing risk. Specific goals of the proposed rulemaking include promoting modernization, encouraging more consistent approaches to AML/CFT supervision and enforcement, and producing BSA reports highly useful to law enforcement and national security agencies.

The proposed rule emphasizes a risk-based approach to supervision, enabling banks to allocate resources away from lower risk and toward higher risk activities. Under the proposed rule, the agencies would not take supervisory or enforcement actions for minor, isolated, or technical weaknesses. Additionally, the proposal encourages responsible innovation and the use of emerging technologies, such as artificial intelligence, to detect and disrupt illicit finance activity more effectively.

Disclosure of Information (Part 309)

The FDIC has not updated its information disclosure regulations in nearly 30 years, and as a result, they (1) do not reflect or appropriately accommodate the business relationships and transactions that often give rise to a need to share disclose confidential information; (2) include administrative impediments to disclosing information to certain recipients that are overly burdensome and may produce inconsistent results; (3) use terms that are antiquated and/or vague; and (4) impose restrictions on the disclosure of confidential information that go above and beyond the information disclosure regulations of the other federal banking agencies.

¹⁶ See Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, National Credit Union Administration, [Anti-Money Laundering and Countering the Financing of Terrorism Programs](#), 90 Fed. Reg. 18304 (April 10, 2026).

Accordingly, the FDIC expects to soon issue a proposed rule that would revise these provisions to provide FDIC-supervised institutions with more flexibility to share confidential information with certain categories of recipients, subject to certain safeguards.

Model Risk Management

For years, banks have been constrained in their ability to leverage innovative approaches to improve efficiency and better mitigate risk. One contributing factor has been the model risk management guidance that was issued in 2011 by the Federal Reserve and OCC,¹⁷ and subsequently adopted in 2017 by the FDIC.¹⁸ The guidance was overly prescriptive and contained elements that made model implementation challenging, particularly for new and emerging modeling techniques. To address these and other concerns, in April the agencies issued revised model risk management guidance with the aims of clarifying that the guidance is intended to serve as an avenue for the safe and sound adoption of technology.¹⁹ Specifically, the revised guidance supports the use of innovative technology and sets forth a risk-based approach that is tailored to the size and complexity of a bank's operations, model reliance, and materiality.

Third-Party Risk Management

Third-party relationships, including with financial technology companies, have been instrumental to the adoption of innovative technologies, particularly for small banks that may lack the resources to develop or implement such technologies on their own. The agencies'

¹⁷ See Office of the Comptroller of the Currency, [Supervisory Guidance on Model Risk Management](#) (OCC Bulletin 2011-12) (April 4, 2011); Board of Governors of the Federal System, Supervisory Guidance on Model Risk Management (SR Letter 11-7) (April 4, 2011).

¹⁸ See Federal Deposit Insurance Corporation, Financial Institution Letter, [Adoption of Supervisory Guidance on Model Risk Management](#) (FIL-22-2017) (June 7, 2017).

¹⁹ See Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, [Supervisory Guidance on Model Risk Management](#) (April 17, 2026).

supervisory experience has demonstrated, however, that existing guidance has caused banks to over-allocate resources to third-party relationships that present relatively lower risk, resulting in significant compliance burden. Accordingly, the agencies are working to revise the existing third-party risk management guidance to emphasize a principles-based, risk-focused approach and to encourage responsible innovation, consistent with Executive Order No. 14405.²⁰

Bank Merger Policy

In 2025, the FDIC rescinded the agency's 2024 Statement of Policy (2024 SOP) on Bank Merger Transactions and reinstated the statement of policy that was previously in place.²¹ The 2024 SOP made the FDIC's process for reviewing merger applications more complicated and uncertain, and restoring the pre-2024 SOP provided greater clarity and certainty to interested stakeholders. Since then, the FDIC has been reevaluating its bank merger review process, with a view towards making the bank merger review process more predictable, timely and transparent. I expect the FDIC to release a proposal for public comment in the coming months.

De Novo Bank Formation

The FDIC continues to work internally and with state and federal chartering authorities on ways to improve the *de novo* process and encourage more new bank formation. Specifically, we have been working to develop a new process to better align our deposit insurance application review with the separate review conducted by chartering authorities. Among other things, we have conducted more joint meetings with applicants, better coordinated information sharing and

²⁰ Exec. Order No. 14405, [Integrating Financial Technology Innovation into Regulatory Frameworks](#), 91 Fed. Reg. 30475 (May 22, 2026).

²¹ See Federal Deposit Insurance Corporation, [Statement of Policy on Bank Merger Transactions](#), 90 Fed. Reg. 29413 (July 3, 2025).

information requests, and reduced duplicative aspects of the application process. We continue to work on additional steps to promote a more efficient and timely *de novo* review process.

Re-presentation of Non-Sufficient Funds

In April 2026, the FDIC rescinded its supervisory guidance on nonsufficient funds fees based on a review that found that the guidance was overly broad in scope and raised regulatory uncertainty.²² The FIL that announced the rescission also noted that supervised institutions should ensure accurate consumer disclosures are provided in accordance with applicable laws, regulations, and other current legal requirements.

Reputation Risk

In April 2026, the FDIC issued a final rule that codified the removal of “reputation risk” from our supervisory program.²³ The final rule is effective June 9, 2026, and prohibits the FDIC from criticizing or taking action against a supervised institution based on reputation risk. Specifically, the FDIC will not require, instruct, or encourage an institution to close customer accounts or take other actions on the basis of a person’s or entity’s political, social, cultural, or religious views or beliefs, constitutionally protected speech, or solely on the basis of politically disfavored but lawful business activities perceived to present reputation risk.

The final rule is consistent with prior and ongoing actions at the FDIC. Starting in 2025, the FDIC removed references to reputation risk in our manuals, guidance, and training materials. We revised our processes and procedures to ensure reputational risk is not a basis for supervisory

²² See Federal Deposit Insurance Corporation, Financial Institution Letter, [FDIC Rescinds Supervisory Guidance on Multiple Re-Presentation NSF Fees](#) (FIL-14-2026) (April 10, 2026).

²³ See Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, [Prohibition on the Use of Reputation Risk By Regulators](#), 91 Fed. Reg. 18279 (April 10, 2026).

criticism of banks. We are also continuing to work with fellow regulators to remove references included in joint interagency guidance and policies, including the recent CAMELS proposal.

2023 Bank Failures Deposit Flow Study

Last month, the FDIC released a detailed staff study of deposit flows at three banks that failed in the spring of 2023.²⁴ Using detailed data from the deposit and wire systems of Silicon Valley Bank, Signature Bank, and First Republic Bank, the analysis provides a day-by-day look at depositor behavior around the time the institutions were closed and placed into FDIC receivership. Prior to failure, all three banks experienced deposit outflows that were unprecedented in their size and speed.

Among other things, the study found that depositors with substantial uninsured funds were far more likely to run while fully insured retail depositors generally did not run prior to the banks' failures. The study also found that the largest depositors at all three banks, those in the top half of a percent of all the banks' depositors, were significantly more likely to run than other depositors. Business deposits were the majority of deposits at all three banks, the vast majority of which were uninsured. Certain categories of large depositors that maintained large balances that were insured on a pass-through basis exhibited similar behavior to business depositors whose balances were predominantly uninsured. The study also documents substantial deposit outflows at Silicon Valley Bank Bridge Bank and Signature Bridge Bank, consistent with the "melting ice cube problem" that bridge banks often experience post-failure and the FDIC's current posture on resolution planning. The findings provide new insights into run-dynamics relevant to today's banking environment.

²⁴ Federal Deposit Insurance Corporation, [*Dissecting Depositor Flight: An Analysis of the Spring 2023 Bank Failures*](#) (May 2026).

Workplace Culture

Reinforcing a strong workplace culture remains a top priority, and we continue to make meaningful progress. Since the establishment of the Office of Professional Conduct and the Office of Equal Employment Opportunity, the FDIC has taken significant steps to strengthen accountability, improve reporting and response processes, and reinforce expectations regarding professional workplace conduct.

To that end, we have continued implementing structural and operational reforms designed to ensure all allegations are addressed appropriately and misconduct is handled consistently. We also incorporated workplace conduct expectations into the performance management process to reinforce accountability across all levels of the FDIC.

We continue to build on these efforts by expanding manager training on workplace conduct, accountability and performance management; refining policies and internal procedures; and reinforcing expectations that misconduct is addressed promptly, appropriately, and consistently.

We have come a long way in our workplace culture journey. I remain committed to ensuring that the FDIC maintains a culture grounded in professionalism, accountability, and respect to ensure that our workforce continues to fulfill our important mission.

Conclusion

I appreciate the opportunity to provide the Committee with an update of the FDIC's efforts to improve its regulatory and supervisory approach, while continuing to fulfill our core mission of insuring deposits, promoting the safety and soundness of banks, and resolving failed institutions. I look forward to answering your questions.