

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To reduce the regulatory burden on certain well managed and well capitalized financial institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____, _____ introduced the following bill; which was referred to the Committee on _____

A BILL

To reduce the regulatory burden on certain well managed and well capitalized financial institutions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Supervisory Modifica-
5 tions for Appropriate Risk-based Testing Act of 2025” or
6 the “SMART Act of 2025”.

1 **SEC. 2. EXAMINATION RELIEF FOR CERTAIN WELL MAN-**
2 **AGED AND WELL CAPITALIZED FINANCIAL IN-**
3 **STITUTIONS.**

4 The Federal Financial Institutions Examination
5 Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended
6 by adding at the end the following:

7 **“SEC. 1012. EXAMINATION RELIEF FOR CERTAIN WELL**
8 **MANAGED AND WELL CAPITALIZED FINAN-**
9 **CIAL INSTITUTIONS.**

10 “(a) IN GENERAL.—The following shall apply to a
11 well managed and well capitalized financial institution
12 with \$10,000,000,000 or less in consolidated assets:

13 “(1) ALTERNATING LIMITED-SCOPE EXAMINA-
14 TIONS.—After the financial institutions receives a
15 full-scope, on-site examination from a Federal finan-
16 cial institutions regulatory agency, the next exam-
17 ination of the financial institution by such Federal
18 financial institutions regulatory agency shall be a
19 limited-scope examination, as determined by the
20 Federal financial institutions regulatory agency.

21 “(2) COMBINED EXAMINATIONS.—If the finan-
22 cial institution is otherwise subject to separate safe-
23 ty and soundness examinations and consumer com-
24 pliance examinations, the Federal financial institu-
25 tions regulatory agency shall combine such examina-
26 tions and carry them out at the same time.

1 “(b) RULEMAKING.—Not later than 12 months after
2 the date of enactment of this section, the Federal financial
3 institutions regulatory agencies shall issue rules to carry
4 out subsection (a), including, with respect to a financial
5 institution described under subsection (a), to—

6 “(1) establish procedures for the limited-scope
7 examinations described under subsection (a)(1);

8 “(2) establish procedures for reviewing financial
9 institutions that—

10 “(A) experience material changes in finan-
11 cial condition or operational risk profile between
12 scheduled examinations;

13 “(B) have failed to comply with Federal or
14 State banking laws and regulations; or

15 “(C) have taken such other actions as the
16 Federal financial institutions regulatory agency
17 determines to be relevant;

18 “(3) balance the goals of streamlining the ex-
19 amination cycle for individual financial institutions
20 and reducing unnecessary regulatory burden while
21 maintaining sufficient oversight to ensure the con-
22 tinued safety and soundness of the financial institu-
23 tions and compliance with all applicable laws and
24 regulations.

1 “(c) RULE OF CONSTRUCTION.—Nothing in this sec-
2 tion may be construed to limit the authority of a Federal
3 financial institutions regulatory agency to conduct off-site
4 monitoring, targeted reviews, or additional examinations
5 of a financial institution if deemed necessary to ensure
6 safety and soundness or compliance with applicable laws.

7 “(d) DEFINITIONS.—In this section:

8 “(1) CONSUMER COMPLIANCE EXAMINATION.—
9 The term ‘consumer compliance examination’ means
10 an examination to assess compliance with the re-
11 quirements of Federal consumer financial law (as
12 such term is defined in section 1002 of the Con-
13 sumer Financial Protection Act of 2010).

14 “(2) WELL CAPITALIZED.—The term ‘well cap-
15 italized’—

16 “(A) with respect to a financial institution
17 other than a credit union, has the meaning
18 given that term in section 38(b) of the Federal
19 Deposit Insurance Act (12 U.S.C. 1831o(b));
20 and

21 “(B) with respect to a credit union, has
22 the meaning given that term in section 216(c)
23 of the Federal Credit Union Act (12 U.S.C.
24 1790d(c)).

1 “(3) WELL MANAGED.—With respect to a fi-
2 nancial institution, the term ‘well managed’ means
3 the financial institution received, in connection with
4 the institution’s most recent examination—

5 “(A) a composite rating of 1 or 2 under
6 the Uniform Financial Institutions Rating Sys-
7 tem (or an equivalent rating under an equiva-
8 lent rating system); and

9 “(B) at least a rating of 2 for manage-
10 ment, if such a rating is given.”.