Minutes of the Financial Stability Oversight Council

September 10, 2025

PRESENT:

Scott K. H. Bessent, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)
Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System (Federal Reserve)
Travis Hill, Acting Chairman, Federal Deposit Insurance Corporation (FDIC)
Paul S. Atkins, Chairman, Securities and Exchange Commission (SEC) (via videoconference)
Caroline D. Pham, Acting Chairman, Commodity Futures Trading Commission (CFTC)
Russell Vought, Acting Director, Consumer Financial Protection Bureau (CFPB)
William J. Pulte, Director, Federal Housing Finance Agency (FHFA)
Jonathan V. Gould, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
Kyle S. Hauptman, Chairman, National Credit Union Administration (NCUA)
Thomas E. Workman, Independent Member with Insurance Expertise
James Martin, Acting Director, Office of Financial Research (OFR), Department of the Treasury (non-voting member)
Steven Seitz, Director, Federal Insurance Office (FIO), Department of the Treasury (non-voting member) (via videoconference)
Lise Kruse, Commissioner, North Dakota Department of Financial Institutions (non-voting member)
Elizabeth K. Dwyer, Director, Rhode Island Department of Business Regulation (non-voting member) (via videoconference)
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General, Securities Division (non-voting member)

GUESTS:

Department of the Treasury (Treasury)
Luke Pettit, Acting Under Secretary for Domestic Finance
Christina Skinner, Deputy Assistant Secretary for the Council
Jonathan McKernan, Senior Advisor
Christopher Pilkerton, Acting General Counsel
Eric Froman, Assistant General Counsel (Banking & Finance)
Sean Hoskins, Director of Policy, Office of the Financial Stability Oversight Council
Nicholas Steele, Director of Analysis, Office of the Financial Stability Oversight Council

Board of Governors of the Federal Reserve System
Michelle Bowman, Vice Chair for Supervision
Andreas Lehnert, Director, Division of Financial Stability

Federal Deposit Insurance Corporation
Alex LePore, Deputy to the Acting Chairman

<u>Securities and Exchange Commission</u>
Kelsey Pristach, Senior Advisor

<u>Commodity Futures Trading Commission</u>
Taylor Foy, Director, Office of Public Affairs

<u>Consumer Financial Protection Bureau</u>
Joseph Gammello, Advisor and Counsel to the Director

<u>Federal Housing Finance Agency</u>
Aaron Kofsky, Acting Deputy Director, Division of Housing Mission and Goals

<u>Office of the Comptroller of the Currency</u>
Jay Gallagher, Senior Deputy Comptroller for Supervision Risk and Analysis

<u>National Credit Union Administration</u>
Timothy Flynn, Economist, Office of the Chief Economist

<u>Federal Reserve Bank of New York</u>
Richard Crump, Financial Research Advisor, Capital Markets

<u>Office of Financial Research</u>
Mark Paddrik, Acting Deputy Director, Research and Analysis

<u>Federal Insurance Office</u>
Stephanie Schmelz, Deputy Director

<u>North Dakota Department of Financial Institutions</u>
Karen Lawson, Executive Vice President for Policy and Supervision, Conference of State Bank Supervisors

<u>Rhode Island Department of Business Regulation</u>
Ethan Sonnichsen, Managing Director, National Association of Insurance Commissioners (via videoconference)

<u>Maryland Office of the Attorney General, Securities Division</u>
Zachary Knepper, Deputy General Counsel, North American Securities Administrators Association

PRESENTERS:

Council Focus and Priorities

- *Christina Skinner, Deputy Assistant Secretary for the Council, Treasury*

Financial Market Infrastructure Tabletop Exercise

- *Christina Skinner, Deputy Assistant Secretary for the Council, Treasury*

- *Cory Wilson, Deputy Assistant Secretary for Cybersecurity and Critical Infrastructure Protection, Treasury*
- *Silab Mohanty, Deputy Director of Policy, Office of the Financial Stability Oversight Council, Treasury (available for questions)*

2025 Annual Report
- *Silab Mohanty, Deputy Director of Policy, Office of the Financial Stability Oversight Council, Treasury*
- *Siobhan Sanders, Senior Manager, Supervisory Research and Analysis, Federal Reserve Bank of Boston*

Fiscal Year 2026 Council Budget
- *Dennis Lee, Deputy Director of Operations, Office of the Financial Stability Oversight Council, Treasury (available for questions)*
- *Bob Nolan, Assistant Director, Division of Finance, FDIC (available for questions) (via videoconference)*

Banking Supervision and Regulation
- *Michelle Bowman, Vice Chair for Supervision, Federal Reserve*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 3:32 P.M. The Chairperson welcomed Jonathan Gould, Comptroller of the Currency, to his first Council meeting and thanked Thomas Workman, the Council's independent member with insurance expertise, for his service. The Chairperson outlined the meeting agenda, which had previously been distributed to the members together with other materials. The agenda for the executive session included (1) an update on the Council's focus and priorities, (2) a briefing on a recent financial market infrastructure tabletop exercise, (3) an update on the Council's 2025 annual report, and (4) the Council's fiscal year 2026 budget.

1. Council Focus and Priorities

The Chairperson introduced the first agenda item, an update on the Council's focus and priorities for the upcoming fiscal year. The Chairperson introduced Christina Skinner, Deputy Assistant Secretary for the Council at Treasury, for the presentation.

Ms. Skinner stated that she would discuss how staff of the Office of the Financial Stability Oversight Council at Treasury (the Council Secretariat), together with the Council's Deputies Committee, had been modifying the Council's workstreams to align with the Chairperson's economic agenda where it intersects with, and implicates, financial stability.

She began by discussing an interpretation of financial stability that she said should guide the Council's work and should be reflected in the Council's analytic framework for financial stability risks. Ms. Skinner stated that since 2010, financial stability had generally been understood in terms of the financial system's resilience to shocks that could cause the kind of losses that spill over into the real economy. She said that financial stability analysis had generally focused on identifying vulnerabilities within the financial system that could generate this type of instability if triggered by a shock. She stated that the Council, in accordance with its statutory duties, would continue to monitor the financial services marketplace in order to identify potential threats to U.S. financial stability by, among other things, monitoring and analyzing financial markets, the financial system, and issues related to financial stability through the Council's staff-level Systemic Risk Committee. She said, however, that financial stability analysis had been disproportionately focused on trying to build the perfect levee. She said that financial cycle downturns are endemic to a capitalist society, and any effort to "lean too hard against the winds," which she said had been popular in macroprudential policy in the past 15 years, leads to a bloated regulatory regime that distorts market incentives and undermines allocative efficiency.

Ms. Skinner stated that there is evidence that a strong and secure real economy is necessary for financial stability. She said that when output and incomes rise, debt burdens shrink relative to earnings, loan performance improves, and tax revenues strengthen the government's fiscal position. She stated that history shows the reverse is dangerous: deep contractions resulting from financial crises increase defaults and impair balance sheets. She said that long-term evidence also finds that rapid credit expansions unaccompanied by real growth are strong predictors of future crises, whereas solid growth improves debt-servicing capacity. She said that when the Council considers the impact of various prophylactic policies on financial stability, it should therefore also consider whether the policy, by negatively impacting growth, could undermine financial stability in the long run.

Ms. Skinner also stated that the discipline of financial stability should be updated to reflect the logic of modern-day geoeconomics. She said that the nation's ability to maintain and protect its economic infrastructure is essential to its overall security, and is therefore also vital for U.S. financial stability. She said that disruptions to a nation's economic infrastructure, such as energy systems, transport, and digital networks, can cascade into the financial sector. She discussed some examples of these disruptions, including the 1973–74 oil embargo, the September 11 terror attacks, and war-driven energy price spikes in Europe in 2022. She stated that a major cyber event is another modern-day risk frontier. She said that efforts to protect important physical and digital resources can strengthen financial stability by preventing geopolitical or operational shocks from mutating into solvency problems and a broader loss of confidence. She said that the Council would therefore amplify its understanding of financial stability to incorporate economic growth and economic security considerations.

Ms. Skinner stated that in addition to embracing economic growth and economic security as pillars of financial stability, the Council would increase its focus on crisis preparations. She said that Council Secretariat staff would focus on crisis-response preparedness for operational disruptions, highlighting a recent tabletop exercise as a first step. Ms. Skinner stated that the Council would implement its priorities regarding economic growth, economic security, and crisis preparedness through staff working groups and committees.

Ms. Skinner then said that market-based credit and liquidity intermediation is a key source of strength in the U.S. economy. She said that this intermediation supplies a crucial source of capital to supplement bank-supplied lending, and its smooth functioning contributes to price discovery and therefore allocative and productive efficiency. She said that its fair and reliable functioning is important to participants in the real economy, who rely on capital markets to fund their businesses and to save for the future. She said that market resilience is therefore integral to economic security. She stated that Council Secretariat staff intend to review how the resilience of critical markets has evolved. She said that a central part of this analysis would be to study the costs and unintended consequences of various regulations implemented under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which she said had disincentivized banks from using their balance sheets for liquidity provision, even for U.S. Treasury securities. She said that this had pushed trading volume to non-bank financial intermediaries.

Ms. Skinner stated that the Council would create a new household resilience working group to consider the health of American household balance sheets. She said that traditional financial stability analysis focuses on the balance sheets of financial institutions. She said that the Council should also focus on the balance sheets of U.S. households as part of its financial stability monitoring. She said that financially resilient households are more prepared to withstand shocks, maintain essential consumption, and avoid costly debt cycles. She stated that strong household balance sheets buoy "Main Street" during a downturn of the business cycle. She said that with savings buffers, diverse income streams, and insurance, households recover faster from job losses, illness, disasters, and financial shocks. She said that healthy household financials are also critical for a mobile and entrepreneurial workforce, as well as higher investment rates and small business creation, which she said are critical elements for long-term and sustainable economic expansion. She stated that to address these issues, this working group would monitor and evaluate significant issues affecting the household sector. She said that, as a key part of its work, this working group would continue the Council's prior efforts to monitor developments in the nonbank mortgage servicing sector.

Ms. Skinner next stated that the Council would create a new artificial intelligence (AI) working group, in an effort to make financial regulation more effective and efficient. She said that Council Secretariat staff was collaborating with Treasury's Chief AI Officer in these efforts. She said that the working group would focus on use cases at Council member agencies and barriers to implementation, the potential for experimentation, and public-private collaboration.

Ms. Skinner also stated that the Council would continue its work on financial market utilities, including related to financial market utilities previously designated by the Council under Title VIII of the Dodd-Frank Act, and would monitor the implementation of Treasury central clearing and potential new central counterparties.

Ms. Skinner stated that the Chairperson intended for the Council to revisit its interpretive guidance on nonbank financial company determinations under section 113 of the Dodd-Frank Act and its analytic framework for financial stability risks. She said that nonbank financial company designations are a suboptimal tool that should be used only sparingly, when a risk cannot be, or is not, addressed by existing regulators. She said that nonbank financial company designation should require rigorous analysis to ensure the Council's action is appropriate.

Following the presentation, the Chairperson stated that it was important for the Council to work to support economic growth and economic security, modernize regulatory frameworks, and improve crisis preparedness. He said that it was also important for the Council to revisit its guidance on nonbank financial company determinations to require analytical rigor for any action the Council considers.

Council members discussed the importance of updating the Council's guidance on nonbank financial company determinations.

2. Financial Market Infrastructure Tabletop Exercise

The Chairperson then turned to the second agenda item, a briefing on a recent interagency financial market infrastructure tabletop exercise hosted by Treasury focusing on crisis preparedness. He introduced Christina Skinner, Deputy Assistant Secretary for the Council at Treasury, and Cory Wilson, Deputy Assistant Secretary for Cybersecurity and Critical Infrastructure Protection at Treasury, for the presentation.

Mr. Wilson noted that in the Council's March meeting, Council members received a briefing on potential financial stability risks from cyber incidents and expressed an interest in conducting a tabletop exercise exploring the implications of a significant and extended operational or cyber event at a financial market utility designated by the Council as systemically important. He said that, in response, Council Secretariat staff partnered with the Office of Cybersecurity and Critical Infrastructure Protection (OCCIP) at Treasury to design and undertake an exercise to explore aspects of a severe incident, including financial stability implications, coordination mechanisms across key agencies, and regulatory responses. He noted that in June 2025, the President issued an executive order on strengthening the nation's cybersecurity, particularly against nation-state actors that present active and persistent threats to critical infrastructure. He said that staff conducted an exercise in late June that included participants from Treasury, the SEC, the CFTC, the FDIC, the OCC, and the Federal Reserve, simulating a coordinated cyberattack on multiple components of critical financial market infrastructure by a nation-state actor. He stated that the exercise focused on agencies that have direct supervisory authorities over the affected entities and would, therefore, be at the forefront of responding to a similar event if it occurred. He said that the exercise had three main objectives: understanding the roles and authorities of the participating agencies; examining the mechanisms for coordinating among these agencies; and evaluating the implications for the financial system and public confidence. He said that participants sought to identify potential gaps in coordination and identify areas that would benefit from further work.

Mr. Wilson stated that the simulation involved four fictional entities. He said that two of those entities were a central counterparty (CCP) and a payments clearinghouse for wire transfers, each a financial market utility designated by the Council as systemically important. He said that the other two were large banks. He stated that the simulation enabled the participants to engage in a moderated discussion about response mechanisms, reporting requirements, internal processes, focus areas, key concerns, interagency coordination, and public communications. He then described the simulation, which consisted of a hypothetical nation-state cyberattack on the financial sector through multiple attack vectors.

Ms. Skinner then addressed certain takeaways from the exercise. First, she noted that transaction records are critical. She said that if a cyber-attack on a CCP resulted in data loss, reconciling transaction data would require manual intervention. She said that restoring an accurate record of transactions would be lengthy and complex. Second, she said that a cyber-attack could disrupt market functioning, which could prompt a broader loss of confidence in both the affected CCP and the relevant market, triggering widespread withdrawal by market participants. Third, she said that it is important for agencies to understand what response tools are available. She noted that participants in the exercise had discussed tools to restore public confidence in the market, including through interagency coordination and engagement with relevant stakeholders.

Ms. Skinner then summarized several areas for further assessment, including the nature of interagency coordination, the management of external communications, and agency authorities for responding to disruptions. Ms. Skinner also noted that the exercise highlighted the expertise of staff at the participating agencies and their prior efforts to prepare for a significant event. She then proposed further interagency coordination regarding crisis response preparedness. She noted the role of the Council in monitoring for potential threats to U.S. financial stability, and the coordinating role of the Financial and Banking Information Infrastructure Committee (FBIIC) regarding operational events. She also stressed the importance of effective coordination among relevant stakeholders when cyber and financial stability events arise.

The Chairperson stated that the briefing highlighted the need for continued engagement among Council member agencies to protect critical market infrastructure, given that cyber-attacks have the potential to suddenly disrupt the interconnected financial system. He said that this effort aligned with the Administration’s goal of improving the nation’s cybersecurity by building capability to address key threats. He said that it would be important for member agencies to continue to coordinate on the topic of crisis preparedness.

Council members then asked questions and had a discussion regarding the exercise.

3. 2025 Annual Report

The Chairperson then introduced the next agenda item, an update on the development of the Council’s 2025 annual report. He turned to Silab Mohanty, Deputy Director of Policy in the Office of the Financial Stability Oversight Council at Treasury, and Siobhan Sanders, Senior Manager for Supervisory Research and Analysis at the Federal Reserve Bank of Boston, for the update.

Mr. Mohanty discussed the development, structure, and timing of the report. Ms. Sanders discussed certain key areas of focus and recommendations that may be included in the report.

Following the presentation, the Chairperson stated that the annual report is a critical part of the Council’s communication to the public about its work and priorities. He said that the Council’s efforts to streamline the report structure and content to align with the Council’s priorities should lead to a more purposeful product.

4. Fiscal Year 2026 Council Budget

The Chairperson then introduced the next agenda item, the Council's proposed fiscal year 2026 budget. He stated that the proposed budget reduced Council spending compared to the previous year, while offering the Council the flexibility to fulfill its statutory duties and advance the focus and priorities discussed in the meeting.

The Chairperson adjourned the executive session of the meeting at approximately 4:14 P.M.

Open Session

The Chairperson called the open session of the meeting of the Council to order at approximately 4:20 P.M.

Before turning to the agenda, the Chairperson asked for a moment of silence to recognize the shooting of Charlie Kirk.

The Chairperson stated that he would discuss how economic growth strengthens financial stability, and how economic stagnation puts it at risk. He said that these dynamics were key to advancing the Council's mission. He noted that Warren Buffett has a penchant for spotting risk before others, and that Mr. Buffett attributes his success in this arena to identifying what he calls the "ABCs of decay": arrogance, bureaucracy, and complacency—and that if these cancers are allowed to metastasize, they lead to stagnation. The Chairperson stated that, because stagnation leads to collapse, companies, just as countries, must constantly guard against stagnation. He said that regulators too often overlook the threat that economic stagnation poses to financial stability, and come to regret it later. He noted several historical examples, including the Latin American debt crisis of the 1980s, Japan's "lost decades," and the Eurozone debt crisis. He said that in each instance, a period of stagnation or depressed growth precipitated financial calamity, including bank failures, currency devaluations, and sovereign debt crises.

The Chairperson stated that these cautionary tales provide a powerful lesson for the Council, which he said should consider the significant risk that economic stagnation can pose to financial stability. He noted that stagnation can make it more difficult for businesses and consumers to service private debt; raise questions about the sustainability of public debt; reduce asset values by dampening earnings expectations; and lead investors to demand higher risk premiums. He said that these dynamics can reinforce one another, contributing to a cycle of pessimism that spreads stress across the financial system. He said that, by contrast, a dynamic, innovative, and entrepreneurial economy is better able to withstand shocks. He stated that growth is the antidote to stagnation, and that expanding economic growth must be among the Council's top priorities. He said that wage gains, increasing business earnings, higher tax revenues, reduced fiscal demands, and lower risk premiums all create buffers, both economic and psychological, that support a resilient financial system. He stated that the Council, with a focus in the coming year on economic growth, would consider ways to enhance member agencies' supervisory and regulatory frameworks, as well as other efforts to position banks and other regulated entities to foster innovation and further support economic growth.

The Chairperson said that the financial system must also be secure against internal disruptions and external threats. He stated that the Council's work on economic security would include a focus on the resilience of critical financial markets, including the Treasury, fixed-income, and equity markets, and the resilience of critical market infrastructure. He said that, to facilitate this goal, the Council would develop an interpretation of financial stability that would incorporate economic growth and economic security.

The Chairperson stated that, to promote alignment with the Council's new direction, the Council would also revisit the analytic framework for financial stability risks and the guidance on nonbank financial company determinations that the Council adopted in 2023. He said that the Council was committed to procedural rigor with respect to its nonbank financial company designation authority. He said that there are other statutory tools at the Council's disposal, such as its authority to issue recommendations to member agencies, that can, if needed, mitigate the financial stability risk associated with certain financial activities. He said that this tool is more tailored and precise than the designation authority, which he said singles out individual institutions for designation and subsequent regulation by the Federal Reserve.

Following these remarks, the Chairperson described the agenda for the meeting. He said that first, the Council would receive an update from the Federal Reserve, OCC, and FDIC on their efforts to increase the efficiency of their bank supervisory and regulatory frameworks. He noted that at previous Council meetings in 2025, he had asked the agencies to consider how to enhance these frameworks in an effort to foster economic growth and innovation. He said that second, in recognition of the fact that the Council does not consider climate change a financial stability risk or relevant to the Council's work, the Council would vote to rescind the charters of the two climate-related Council committees established under the prior Administration. Third, he said that the Council would vote on its proposed fiscal year 2026 budget. Finally, he said the Council would vote on approving the minutes from its prior meeting in June.

1. Banking Supervision and Regulation

The Chairperson stated that the Council's first agenda item was an update on banking supervision and regulation. He noted that he had recently spoken about the need for a fundamental reset of financial regulation, and that Treasury was committed to playing an active role in this effort. He stated that a well-functioning and appropriately regulated financial system is critical to economic growth and long-term financial stability. He said that over 15 years after the financial crisis, the bank regulatory system had expanded into an increasingly complex set of rules. He stated that this regime had unduly weighed on the ability of banks to serve as effective intermediaries for American households and businesses. He said that going forward, the regulatory approach should be efficient, effective, and appropriately tailored to align with a more proactive and strategic vision for the U.S. financial system. He said that progress had occurred in this area in recent months, including a proposed recalibration of leverage capital requirements, an end to the use of politicized reputation risk, and the beginning of an interagency process on Bank Secrecy Act (BSA) reforms, and an effort to modernize the regulatory capital framework. He then turned to Jerome Powell, Chair of the Federal Reserve, for an update.

Chair Powell stated that the Federal Reserve had been active in these efforts and had accomplished a significant amount in a short time. He said that the Federal Reserve had issued a proposal on supplementary leverage ratio reform and was engaged in efforts on Basel III and refocusing supervision on addressing material risks and encouraging innovation. He noted that the Federal Reserve had ended the use of reputation risk in its supervision and was beginning work on implementing the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act. He then turned to Michelle Bowman, Vice Chair for Supervision at the Federal Reserve.

Vice Chair Bowman stated that the Federal Reserve's supervisory priorities included refocusing supervision on core and material financial risks, implementing a pragmatic and tailored approach to supervision and regulation, ensuring a path for innovation in the banking system, and providing clear and transparent expectations and accountability for supervision and regulation. She said that the Federal Reserve's approach was intended to encourage the timely mitigation of identified risks in an effort to ensure safety and soundness. She noted that the Federal Reserve had removed reputation risk from its supervisory activities, and was conducting a backward-looking assessment in connection with Executive Order 14331, "Guaranteeing Fair Banking for All Americans." She said that the Federal Reserve was broadly reviewing past activities, both at the Federal Reserve Board and at the Federal Reserve Banks, to identify actions that would be inconsistent with the President's directive. She stated that the Federal Reserve had shifted its focus from process-oriented activities to those that lead to bank failures and affect material financial conditions. She said that clarity, transparency, and accountability are critical for effective supervision. She said that banks should be able to clearly understand and meet the Federal Reserve's expectations.

Vice Chair Bowman stated that the Federal Reserve was returning to a long-standing and core principle of tailored regulation and supervision, which she said enables the Federal Reserve to appropriately calibrate its activities for all sizes and complexities of banks. She said that this is a necessary concept for both supervision and regulation. She said that the Federal Reserve had shifted its supervision to be tailored to the business model, complexity, and risk profile of the banks that it supervises. She said that the Federal Reserve would no longer use horizontal exams to grade on a curve, which she said meant that it would no longer hold every bank to the best practices of another bank, especially when those practices are not appropriate for a particular institution. She said that horizontal exams can be an effective supervisory tool, providing an understanding of the range of practices and approaches on a particular issue. She said, however, that the inappropriate application of the findings from these exams had become problematic. She said that tailoring also applies across the broad range of bank asset sizes, from global systemically important banks (G-SIBs) to the smallest community banks. She said that the Federal Reserve should not continue to impose regulation that is designed for the largest banks on smaller, less risky, and less complex banks. She stated that the Federal Reserve and the other banking agencies, in an effort to advance regulatory pragmatism, had already published several proposals that address a range of issues. She noted that the banking agencies had published a proposal to restore the supplementary leverage ratio to the backstop role that it was originally intended to serve. She said that this approach would also enable banks to more fully support Treasury market functioning and intermediation. She noted that the Federal Reserve and the other banking agencies had also issued a request for information about how the agencies can combat payments fraud, particularly check fraud. She said that these efforts would require coordination among many different agencies, including law enforcement. She said that payments fraud remains an important priority, especially in light of its disproportionate impact on smaller banks.

Vice Chair Bowman stated that the Federal Reserve was also working to update bank ratings frameworks. She said that the Federal Reserve had issued a proposal to revise the large financial institution, or LFI, ratings framework to address the growing disconnect between ratings and financial condition. She said that the Federal Reserve's ratings frameworks must reflect the risks that lead to an erosion of a bank's financial condition. She said that the Federal Reserve had also begun work on the CAMELS rating framework through the Federal Financial Institutions Examination Council. She said that she anticipated that the Federal Reserve would continue to address other similar practical problems, including for smaller banks, and she noted that it was evaluating the community bank leverage ratio framework and mutual bank capital. She said that the Federal Reserve was undertaking new engagements with market participants to solicit views from a wide range of stakeholders. She noted that in July, the Federal Reserve held its first-ever large bank capital framework conference, and on October 9, it would hold its first-ever community bank conference.

Vice Chair Bowman stated that one of the Federal Reserve's highest priorities is to encourage innovation in the banking system. She said that the Federal Reserve had rescinded several policy statements and guidance documents related to digital assets that were unnecessarily restrictive for these types of activities. She said that with the enactment of the GENIUS Act, Congress had provided clear direction that the official sector must encourage innovation. She said that the Federal Reserve was working with other agencies to implement these new rules. She said that the Federal Reserve had dissolved its novel activities supervision program by incorporating those supervision activities into its routine supervisory process. She said that Federal Reserve examiners would continue to build and share their knowledge and experience on these activities.

Finally, Vice Chair Bowman stated that the Federal Reserve was comprehensively reviewing its capital framework in an effort to ensure that it is effective and appropriately calibrated to support the economy. She stated that the Federal Reserve had hosted a capital conference bringing together bankers, stakeholders, and academics to provide a better understanding of how the components of the framework interact. She said that the Federal Reserve had already begun revising several of these requirements. She noted that the public comment period for the interagency enhanced supplementary leverage ratio proposal closed in August. She said that preliminary work was underway on the G-SIB surcharge and Basel III. She also said that the Federal Reserve had issued a proposal to reduce volatility in its stress-testing framework. She said that in the coming weeks, the Federal Reserve would also issue proposals to improve stress test transparency, including by seeking public comment on the models and scenarios used in the test.

The Chairperson then turned to Jonathan Gould, Comptroller of the Currency, for an update. Comptroller Gould stated that the OCC was focused on resetting the risk tolerance for the federal banking system and, by extension, the banking system as a whole. He said that, following the 2008 financial crisis, the OCC had implemented a regulatory and supervisory framework that sought to micromanage bank balance sheets and activities and to reduce much of the examination process to a compliance exercise focused on procedural box-checking. He said that this low risk tolerance raises the specter of a stagnant and increasingly irrelevant banking system, which he said has implications for financial stability. He stated that the OCC had often pursued risk elimination rather than risk-management strategies. He said that risk elimination assumes control over a closed system, and he stated that the banking system is not a closed system. He said that, in response to this risk-intolerant regulatory posture, many activities and exposures had flowed out of the banking system since 2008 and into the larger financial services system. He said that the risk did not disappear, and the banking sector grew weaker and less dynamic. He noted that the federal banking system comprises almost two-thirds of total U.S. commercial banking assets, and he stated that financial stability depends on economic growth. He said that the OCC was seeking to establish a risk tolerance through chartering, regulation, and supervision that allows the federal banking system to remain relevant and fulfill its function. He said that the OCC was reviewing its entire post-2008 chartering, regulatory, and supervisory framework. He said that the OCC would be making adjustments to this framework where Congress had authorized it to do so.

On chartering, Comptroller Gould said that the OCC had recently elevated the stature of the chartering and licensing function within the agency to reflect its strategic importance as the gatekeeper of the federal banking system. He said that this approach would enable OCC policy to be set at the most senior levels of the agency and facilitate more rapid decision-making, including regarding de novo charters and bank mergers and acquisitions, areas in which he said the OCC would no longer observe a de facto policy of objection. He said that the OCC would set policy in this area in an effort to ensure that the federal banking system is no longer stagnant, and remains diverse in its nature and dynamic in its scope of activities. He indicated that the OCC would consider politicized or unlawful debanking in the evaluative factors prescribed by statute and regulation for certain licensing decisions, consistent with applicable law and Executive Order 14331 on fair banking.

On regulation, Comptroller Gould said that the OCC would focus on capital and liquidity reforms with the other banking agencies. He said that the OCC's current approaches were too complex and opaque, which he said frustrates accountability and impedes action in a crisis such as the events that occurred in March 2020. He said that the OCC would work to address the regulatory framework for national banks, including reassessing the need for recovery planning and heightened standards. He said that the OCC would seek to tailor regulations consistent with the Economic Growth, Regulatory Relief, and Consumer Protection Act. He said that the OCC would focus first on community banks, including making changes to the community bank leverage ratio framework and raising applicable regulatory asset thresholds where the OCC has authority to do so. He said that the OCC was engaged in efforts with other banking agencies to eliminate the use of reputation risk and to define in regulation supervisory concepts such as unsafe and unsound practices. He said that these efforts would put bank supervision on a firmer legal foundation and refocus it on material financial risks. He also said that the OCC's ongoing efforts to implement the GENIUS Act were an important priority.

On supervision, Comptroller Gould stated that the OCC would tailor bank supervision to reflect its tailored regulatory framework. He said that the OCC would prioritize reforms focused on community banks. He said that the OCC was engaged in efforts to revise its examination approaches to community banks in areas such as fair lending, capital, liquidity, the Community Reinvestment Act, and third-party risk management, in an effort to adjust such approaches to reflect the low risks posed by community banking activities. He said that the OCC, to reduce the burden on banks posed by OCC exam activities, had begun reviewing supervisory strategies across banks of all sizes, with the goal of eliminating examination activities that are not related to material financial risks. He said that this effort was also intended to ensure that the OCC focuses on issues that are most important to a bank's financial condition, with the goal of avoiding the type of lapses in bank supervision that occurred at Silicon Valley Bank. He said that the OCC would also raise concerns of redundant supervision with the other federal banking agencies. He said in conclusion that he looked forward to collaborating with other member agencies on reforms to the financial system.

The Chairperson then turned to Travis Hill, Acting Chairman of the FDIC, for an update. Acting Chairman Hill stated that over the past eight months, the FDIC had been working to improve its regulatory and supervisory approach across a number of areas. He said that the FDIC was working to reform the FDIC's supervisory approach so it is less process-driven and more focused on core financial risks. He said that this initiative included, among other items, work on an interagency rulemaking to define certain key terms, in an effort to impose guardrails on, and improve the consistency of, the supervisory process. He stated that the FDIC was also working to reform the CAMELS rating system, including by amending the definitions of the component ratings, with the goal of shifting the emphasis toward financial risks and away from process. He said that the FDIC was also undertaking a rulemaking to revise its supervisory appeals process; modifying its continuous exam program, including by raising the threshold from $10 billion to $30 billion in assets; reducing the frequency of consumer compliance exams to once every five years, with a mid-cycle review, for most institutions with less than $3 billion in assets; streamlining aspects of its BSA and information technology exams; modifying its enforcement policy to allow termination of enforcement orders when an institution has achieved substantial compliance; ending the use of disparate impact in fair lending exams; and reevaluating its consumer compliance complex bank program.

Regarding capital rules, Acting Chairman Hill noted that the FDIC had participated in the interagency proposal to modify the enhanced supplementary leverage ratio, continued to work on a re-proposal to modernize risk-based capital standards, and was analyzing potential changes to the community bank leverage ratio. With respect to digital assets, he said that the FDIC had rescinded "prior notification" requirements; provided clarity that banks may engage in permissible crypto-asset activities; publicly released hundreds of pages of supervisory correspondence to provide transparency regarding the prior Administration's approach to digital assets; and begun work to implement the GENIUS Act and recommendations from the President's Working Group on Digital Asset Markets.

With respect to bank resolution, Acting Chairman Hill said that the FDIC had issued frequently asked questions to shift the focus of resolution planning for large regional banks based on lessons learned from the 2023 bank failures, and was engaging with prospective bidders for failed banks as part of an effort to improve the FDIC's bidding process. He said that the FDIC had updated its frequently asked questions on certain recordkeeping requirements and was reevaluating other aspects of its resolution and receivership management functions. In the area of debanking, he said that the FDIC was working on a rulemaking to prohibit examiners from criticizing institutions on the basis of reputation risk, and from requiring, directing, or encouraging institutions to close customer accounts on the basis of political, social, cultural or religious views. He said that the FDIC was conducting reviews of its supervised institutions for evidence of debanking, consistent with Executive Order 14331 on fair banking.

In conclusion, Acting Chairman Hill noted FDIC workstreams in a number of other areas, including issuing a proposal to raise and index 37 regulatory asset thresholds, and evaluating additional steps on a range of other thresholds; rescinding the FDIC's 2024 statement of policy on bank mergers; working on additional improvements to the merger review process and analytical framework; continuing to explore ideas for encouraging de novo bank activity; issuing a proposal to enhance the speed and certainty of the approval process for new branch openings; and rescinding the 2023 Community Reinvestment Act rule. He said that the FDIC's goal was to unleash the banking system to drive economic growth and access to capital, while still fulfilling the agency's critical role promoting safety and soundness and financial stability.

The Chairperson then turned to Kyle Hauptman, Chairman of the NCUA. Chairman Hauptman stated that during the prior Administration, the NCUA not only did not issue harmful guidance on digital assets, but issued positive guidance that led to a variety of blockchain-related projects at credit unions. He expressed support for the activities of banking regulators regarding digital assets. He said that credit unions were harmed under the prior Administration by the actions of the banking regulators, because numerous vendors and partners halted their services and products in the United States due to difficulties interacting with American banks. He stated that credit unions did receive new deposits during the prior Administration from firms concerned about debanking.

Chairman Hauptman stated that the NCUA had eliminated reputation risk from its examiner manual, exam software, and other materials. He said that the NCUA had switched to longer cycles between exams for the smallest, lowest-risk credit unions. He said that the NCUA had eliminated a number of rulemakings from its published list of upcoming regulatory actions, including an anticipated rulemaking on climate-related financial risk. He said that the NCUA had also eliminated its plan to hire a full-time climate-related risk officer. He said that the NCUA had simplified its BSA/anti-money laundering requirements regarding customer identification. He said that the NCUA had narrowed the scope of factors that can result in the agency referring a credit union for criminal enforcement. In conclusion, he discussed efforts to coordinate with Treasury and the Financial Crimes Enforcement Network to address debanking concerns.

The Chairperson then turned to Lise Kruse, Commissioner of the North Dakota Department of Financial Institutions. Commissioner Kruse stated that state bank supervisors had consistently supported efforts to "right-size" the federal regulatory framework for banks, to limit federal regulatory and supervisory expectations that place an undue regulatory burden on lower-risk institutions. She said that she welcomed federal efforts to address these issues, particularly those affecting community banks. She stated that state bank supervisors are particularly interested in efforts to adjust static asset-based thresholds, which she said had failed to grow with the economy; concentration limits that fail to consider an institution's business model and track record; and supervisory approaches that unnecessarily restrict banking innovation. She said that efforts to reform the regulatory and supervisory environment should take into consideration the importance of long-term stability and regulatory certainty. She said that Council member agencies should seek to implement resilient policies that promote safety and soundness, protect consumers, and encourage economic growth.

William Pulte, Director of the FHFA, then expressed his support for the supervisory and regulatory initiatives discussed and the approach of the regulators to addressing systemic risk.

Following the remarks, the Chairperson stated that he looked forward to continuing to work with member agencies on this topic.

2. Climate Committee Charters

The Chairperson then turned to the next agenda item, a vote to rescind the charters of the Council's Climate-related Financial Risk Committee and Climate-related Financial Risk Advisory Committee. He said that by rescinding these charters, the Council can better focus its attention and resources on core financial stability issues and its efforts to promote economic growth and economic security, while maintaining safety and soundness and protecting consumers. He then presented to the Council the following resolution to rescind the charter of the Council's Climate-related Financial Risk Committee.

WHEREAS, section 111(e)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides that the Financial Stability Oversight Council (Council) shall adopt such rules as may be necessary for the conduct of the business of the Council; and

WHEREAS, on December 17, 2021, the Council approved and adopted the charter of the Climate-related Financial Risk Committee (CFRC Charter); and

WHEREAS, the staffs of the Council members and their agencies recommend that the Council rescind the CFRC Charter.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the rescission of the CFRC Charter; and

BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the Chairperson, or his designee, to take such other actions as they may deem necessary or appropriate to effectuate the rescission of the CFRC Charter.

The Chairperson asked for a motion to approve the resolution, which was made and seconded. The Council approved the resolution by unanimous vote.

The Chairperson then presented to the Council the following resolution to rescind the charter of the Council's Climate-related Financial Risk Advisory Committee.

WHEREAS, section 111(e)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection

Act provides that the Financial Stability Oversight Council (Council) shall adopt such rules as may be necessary for the conduct of the business of the Council; and

WHEREAS, on October 3, 2022, the Council approved and adopted the charter of the Climate-related Financial Risk Advisory Committee (CFRAC Charter); and

WHEREAS, the staffs of the Council members and their agencies recommend that the Council rescind the CFRAC Charter.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the rescission of the CFRAC Charter; and

BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the Chairperson, or his designee, to take such other actions as they may deem necessary or appropriate to effectuate the rescission of the CFRAC Charter.

The Chairperson asked for a motion to approve the resolution, which was made and seconded. The Council approved the resolution by unanimous vote.

3. Fiscal Year 2026 Council Budget

The Chairperson then turned to the next agenda item, a vote on the Council's fiscal year 2026 budget. He said that the Council members had reviewed the budget. He stated that the budget has two main components. He said that the first component covers expenses of the Council Secretariat at Treasury and the office of the Council's independent member with insurance expertise. He said that for fiscal year 2025, the Council had approved a budget of $14.8 million, with actual expenditures totaling $10.9 million. He said that the Council had identified further cost-saving opportunities for fiscal year 2026, and as a result, was proposing a budget of $10.1 million.

The Chairperson said that the second component of the budget relates to reimbursements provided for by statute for the FDIC's resolution-planning activities under Title II of the Dodd-Frank Act. He said that with respect to this component, the FDIC's actual expenses increased from $4.16 million in 2024 to $4.77 million in 2025.

The Chairperson then presented to the Council the following resolution approving the Council's budget for fiscal year 2026.

BE IT RESOLVED, by the Financial Stability Oversight Council (Council), that the Council's budget for fiscal year 2026 attached hereto is hereby approved.

The Chairperson asked for a motion to approve the resolution, which was made and seconded. The Council approved the resolution by unanimous vote. Aaron Kofsky, Acting Deputy Director of the Division of Housing Mission and Goals at the FHFA, participated in the vote (acting pursuant to delegated authority).

4. Resolution Approving the Minutes of the Meeting Held on June 4, 2025

BE IT RESOLVED, by the Financial Stability Oversight Council (Council), that the minutes attached hereto of the meeting held on June 4, 2025 of the Council are hereby approved.

The Chairperson asked for a motion to approve the resolution, which was made and seconded. The Council approved the resolution by unanimous vote. Aaron Kofsky, Acting Deputy Director of the Division of Housing Mission and Goals at the FHFA, participated in the vote (acting pursuant to delegated authority).

The Chairperson adjourned the meeting at approximately 4:54 P.M.