

Minutes of the Financial Stability Oversight Council

December 11, 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)
Caroline D. Pham, Acting Chairman, Commodity Futures Trading Commission (CFTC)
Geoffrey Gradler, Deputy Director, Consumer Financial Protection Bureau (CFPB) (acting pursuant to delegated authority)
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)
Steven Seitz, Director, Federal Insurance Office (FIO), Department of the Treasury (non-voting member)
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)

Jonathan McKernan, Under Secretary for Domestic Finance
Christina Skinner, Deputy Assistant Secretary for the Council
Brian Morrissey, General Counsel
Eric Froman, Assistant General Counsel (Banking & Finance)
Sean Hoskins, Director of Policy, Office of the Financial Stability Oversight Council
Silab Mohanty, Acting 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

Securities and Exchange Commission

Kelsey Pristach, Senior Advisor

Commodity Futures Trading Commission
Meghan Tente, Acting General Counsel

Federal Housing Finance Agency
Aaron Kofsky, Acting Deputy Director, Division of Housing Mission and Goals

Office of the Comptroller of the Currency
Jay Gallagher, Senior Deputy Comptroller and Chief National Bank Examiner

National Credit Union Administration
Timothy Flynn, Economist, Office of the Chief Economist

Federal Reserve Bank of New York
Richard Crump, Financial Research Advisor, Capital Markets

Office of Financial Research (OFR)
Lincoln Foran, performing the duties of the Director
Mark Paddrik, Acting Deputy Director, Research and Analysis

Federal Insurance Office
Stephanie Schmelz, Deputy Director

North Dakota Department of Financial Institutions
Karen Lawson, Executive Vice President for Policy and Supervision, Conference of State Bank Supervisors (CSBS)

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

Maryland Office of the Attorney General, Securities Division
Vince Martinez, General Counsel, North American Securities Administrators Association

PRESENTERS:

Council Workstreams

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

Interpretive Guidance on Nonbank Financial Company Determinations and Analytic Framework for Financial Stability Risks

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

2025 Annual Report

- *Christina Skinner, Deputy Assistant Secretary for the Council, Treasury*
- *Siobhan Sanders, Senior Manager, Supervisory Research and Analysis, Federal Reserve Bank of Boston*

Bank 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 3:35 p.m. He welcomed Lincoln Foran, performing the duties of the Director of the OFR, and Geoffrey Gradler, Deputy Director of the CFPB, who was attending the meeting on behalf of Russell Vought, Acting Director of the CFPB. 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 priority workstreams, and (2) a briefing on the Council's interpretive guidance on nonbank financial company determinations and analytic framework for financial stability risk identification, assessment, and response.

1. Council Workstreams

The Chairperson introduced the first agenda item, an update on the Council's priority workstreams. He introduced Christina Skinner, Deputy Assistant Secretary for the Council at Treasury, for the update.

Ms. Skinner noted that at the September Council meeting, she presented a plan outlining the Council's focus for the coming year, which is intended to develop a pro-growth agenda, better integrate economic security into financial stability policy, and improve crisis preparedness. She said that those priorities had been translated into four key areas of work for the Council: a market resilience working group (MRWG), a household resilience working group, an artificial intelligence (AI) working group, and a crisis preparedness workstream.

Ms. Skinner stated that the MRWG would focus on the strength and efficient functioning of core capital markets. She said that the MRWG has two core objectives: first, to monitor for vulnerabilities that could detract from market resilience and, where appropriate, explore potential mitigants or policy responses, including recommendations to Council member agencies; and second, to consider whether current regulations may be distorting or imposing undue costs on critical markets, with related impacts on economic growth and economic security. She said that the MRWG would focus on short-term funding markets and on Treasury markets. She said that the Council and the MRWG would monitor Treasury markets in collaboration with the Inter-Agency Working Group on Treasury Market Surveillance. She said that the MRWG would support Council work on areas that have implications for U.S. financial stability. She said that the MRWG would consider how key regulatory changes, such as the implementation of central clearing, and market developments, such as the growth of leverage in the Treasury market, may affect market resilience and functioning. She said that the MRWG would also evaluate credit markets that connect savings to productive investment. She said that the MRWG would monitor for any impediments to credit markets' capacity to maintain reliable financing across economic cycles and support business and household resilience. She said that the MRWG would also evaluate equity markets, which she noted present different financial stability considerations than

those presented by debt markets. She said that it is important to monitor the resilience of equity markets and address potential structural issues, given the role of equity markets in providing businesses a source of permanent capital and households the opportunity to participate in economic value creation, as well as their interconnections with other critical markets and sectors. She said that the MRWG would assess how the evolving structure of short-term funding markets affects the availability of liquidity during stress events. She said that the MRWG would also review the changing composition and concentration of participants in short-term funding markets.

Ms. Skinner said that the household resilience working group would anchor the Council's focus on "parallel prosperity," with the goal of ensuring that the Council's financial stability framework supports both Wall Street and Main Street. She said that the household resilience working group would focus on two primary objectives: household monitoring and household credit.

Ms. Skinner said that the AI working group was intended to help regulators and the financial sector harness AI in ways that support economic growth while safeguarding financial stability. She said that the AI working group had three related objectives: supporting Council member agencies' AI adoption to improve regulatory and supervisory effectiveness and efficiency; identifying regulatory impediments to financial institutions' responsible AI usage; and assessing the financial stability implications of AI investment and adoption. She noted that the Office of the Financial Stability Oversight Council at Treasury (Council Secretariat) intended to launch an AI Innovation Series, consisting of public-private collaboration regarding AI use cases, risk-management approaches, and areas of regulatory uncertainty. She said that the AI working group would also assess the broader financial stability implications of AI, including potential mismatches between investment and adoption, market-integrity issues, labor market dynamics, and dependencies in credit, energy, and supply chains.

Ms. Skinner said that the Council's fourth priority workstream would focus on crisis preparedness, particularly emerging cyber and geopolitical risks. She said that the workstream would build on the success of the joint tabletop exercise conducted by the Council and Treasury's Office of Cybersecurity and Critical Infrastructure Protection (OCCIP), which was discussed at the Council's September meeting. She discussed potential exercises the Council Secretariat may organize in 2026.

Council members then had a discussion regarding the Council workstreams.

2. Interpretive Guidance on Nonbank Financial Company Determinations and Analytic Framework for Financial Stability Risks

The Chairperson then turned to the second agenda item, a briefing on the Council's interpretive guidance on nonbank financial company determinations and analytic framework for financial stability risk identification, assessment, and response. He introduced Christina Skinner, Deputy Assistant Secretary for the Council at Treasury, for the briefing.

Ms. Skinner stated that at the previous Council meeting, she had described proposals to revisit the Council’s interpretive guidance on nonbank financial company determinations under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Council’s analytic framework for financial stability risks, both of which the Council issued in 2023. She said that over the last few months, Council Secretariat staff had developed a new proposed approach for the Council’s interpretive guidance, and had discussed this approach with the Council’s Deputies Committee. She said that she would provide a brief background on the Council’s interpretive guidance and then describe the new proposed approach, which she said contemplated returning to elements of the previous version of the Council’s interpretive guidance, which had been adopted in 2019, and incorporating several new additions. She noted that the Dodd-Frank Act authorizes the Council to designate a nonbank financial company for Federal Reserve supervision and prudential standards if the Council determines that material financial distress at the company, or its activities, could pose a threat to U.S. financial stability. She noted that the statute provides minimal procedural requirements for designation, and she said that the Council’s interpretive guidance describes the process in detail for the public.

Summarizing the history of the Council’s interpretive guidance regarding nonbank financial company determinations, Ms. Skinner noted that the Council first issued a procedural rule and interpretive guidance in 2012. She said that the Council then designated four nonbank financial companies in 2013 and 2014. She noted that these designations were the subject of a significant amount of criticism by members of Congress and financial services sectors. She noted that MetLife, Inc. brought litigation following its designation, and that its designation was rescinded by a district court. She noted that the court held that the Council had failed to evaluate the likelihood of MetLife’s material financial distress; adequately specify and quantify the causal connection between MetLife’s potential distress and the threat to financial stability; and consider the costs to MetLife from the designation. She noted that the Council rescinded the other three designations over the next several years.

Ms. Skinner noted that the Council revised the interpretive guidance in 2019. She said that the 2019 guidance stated that the Council would prioritize an “activities-based approach” when evaluating potential risks and threats to financial stability, perform a cost-benefit analysis prior to making a determination, and assess the likelihood of a company’s material financial distress when evaluating the firm for a potential determination. She noted that the 2019 interpretive guidance also interpreted “threat to U.S. financial stability” by reference to the potential for “severe damage on the broader economy,” in contrast to the 2012 interpretive guidance, which referred to “significant” damage. She said that in sum, under the 2019 interpretive guidance, nonbank financial company designation was subject to greater analytical rigor. She said that the 2019 interpretive guidance also prioritized Council collaboration with member agencies to address identified potential risks.

Ms. Skinner said that in November 2023, the Council revised the 2019 interpretive guidance and also issued a separate analytic framework for financial stability risk that applies both in the designation context and for other types of risks. She noted that the 2023 designation guidance did not prioritize an activities-based approach, and did not provide for a cost-benefit analysis or assessment of the likelihood of a nonbank financial company’s material financial distress. She said that the 2023 analytic framework’s interpretation of the term “threat to financial stability”

represented a lower threshold than its interpretation under the 2019 guidance. She said that the Council’s administrative procedures for nonbank designations and annual reevaluations of designations, representing the designation process itself, had remained largely consistent since 2015.

Ms. Skinner then summarized the proposed approach to revising the Council’s interpretive guidance. She proposed returning to key elements of the 2019 guidance, including merging the designation guidance and analytic framework; prioritizing an activities-based approach; returning to the interpretation of the term “threat to financial stability” that was in the 2019 interpretive guidance; and adding commitments to perform a benefit-cost analysis and assess the likelihood of a nonbank financial company’s material financial distress. She also discussed several proposed additions to reflect the Council’s views of financial stability. She said that the proposed approach would describe the interdependent relationship between economic growth and economic security and financial stability, and incorporate this analysis into the evaluation of potential financial stability risks. She said that it would also present an updated analytic methodology that incorporates aspects of both the 2019 and 2023 interpretive guidance. She proposed adding a new process to the activities-based approach by which the Council may request in writing that agencies address potential risks to U.S. financial stability. She noted that this process would be subject to a Council vote, and would represent another Council tool in addition to the Council’s annual report recommendation process and the more formal, and rarely used, process under section 120 of the Dodd-Frank Act. She also proposed a pre-designation “off-ramp” by which the Council would identify steps a company under evaluation could take to address a potential threat to financial stability, and expect material risks to be addressed within a specified time period. She then discussed the proposed timeline for the Council’s review of the proposal and publication for public comment.

Council members then had a discussion regarding the Council’s prior approach to nonbank financial company designation and the proposed revisions to the Council’s interpretive guidance.

The Chairperson adjourned the executive session of the meeting at approximately 3:53 p.m.

Open Session

The Chairperson called the open session of the meeting of the Council to order at approximately 4:02 p.m.

The Chairperson outlined the agenda for the open session, which included (1) a presentation and vote on the Council’s 2025 annual report, (2) an update on bank supervision and regulation, and (3) a vote on the minutes of the Council’s meeting on September 10, 2025.

The Chairperson stated that before turning to the first agenda item, he would highlight the Council’s upcoming work on AI through its new interagency AI working group. He said that although AI had existed for decades, its potential to drive economic growth and economic change had accelerated in recent years. He said that financial institutions could now leverage AI to enhance their global competitiveness, secure their operations, and provide innovative services to customers more efficiently and reliably than ever before. He said that in recent years, novel

technologies had often been approached with skepticism and distrust, rather than with the entrepreneurial spirit that defines the United States. He said that while appropriate risk management is important, a short-sighted focus on safety at all costs can restrict the financial sector from harnessing the full potential of revolutionary technology. He said that financial regulation, if not updated to accommodate innovation, can stand in the way of growth and quality of life improvements that benefit all segments of American society. He said that stale financial regulations in particular can cultivate risk aversion around AI experimentation. He said that these regulations can discourage bold thinking around AI usage if their application to AI technology is unclear or if compliance seems overly burdensome. He encouraged Council member agencies to eliminate regulations that might be discouraging AI experimentation in the financial services industry. He said that the Council would host an AI Innovation Series in 2026 to learn more about the financial sector's experience with AI so far, its approach to risk management, potential risks to financial stability, and regulatory roadblocks or areas of regulatory uncertainty. He said that through these collaborative public-private engagements, the AI working group would identify regulatory impediments to responsible AI adoption. He expressed his appreciation for the support of Council member agencies and the industry in this important endeavor.

1. 2025 Annual Report

The Chairperson introduced the first agenda item, a presentation and vote on the Council's 2025 annual report. He said that since the first day of the current Administration, policymakers had focused on building parallel prosperity, an era of economic expansion where Wall Street and Main Street grow together. He said that Council member agencies had pursued pro-growth policies to help unlock the potential available to all Americans when they are free to save, invest, innovate, build businesses, and drive their own economic destinies. He said that the Council plays an important role in ensuring that the financial system is contributing to this vision. He said that too often in the past, efforts to safeguard the financial system had resulted in burdensome and often duplicative regulations. He said that little thought was given to the harms of overregulation, the imbalance between costs imposed and benefits achieved, and the economic stagnation that can follow. He said that the Administration was changing that approach. He said that sustainable, long-term economic growth and economic security are both essential to financial stability. He said that he would explain how the Council was prioritizing these concepts in its work and how they are reflected in this year's annual report.

The Chairperson stated that economic growth underpins financial stability. He said that economic growth contributes to higher earnings and capital cushions for financial institutions, which he said can serve as buffers against unexpected losses. He said that similarly, households and businesses with stronger balance sheets are more resilient to shocks, less likely to default on debts, and more likely to maintain consumption and investment. He said that policymakers, however, had not routinely considered the cumulative burdens of regulatory and supervisory regimes, the interactions among individual rules, and how a failure to modernize regulations can undermine both resilience and growth.

The Chairperson stated that the Council's work would be amplified by the United States when it hosts the Group of Twenty (G20) summit in 2026. He said that the Administration's main

priority in its host year would be promoting economic growth and deregulation, which he said would include focusing on policies that would increase global prosperity by removing harmful regulations and barriers to innovation. He said that the Council has a statutory duty to monitor financial regulatory proposals and developments. He said that it also has a duty to make recommendations to enhance the integrity, efficiency, competitiveness, and stability of U.S. financial markets. He said that to fulfill that obligation, the Council was collaborating with Council member agencies to consider where aspects of the U.S. financial regulatory framework impose undue burdens and where they harm economic growth, thereby undermining financial stability.

The Chairperson stated that economic security is also a necessary condition for financial stability. He said that in the national security context, economic security is defined as having a secure and resilient domestic production capacity combined with reliable access to the global resources necessary to maintain an acceptable standard of living. He said that the concept of economic security must be integrated into the Council's financial stability analysis and its framework for understanding risk, because the impacts of decreasing living standards can contribute to financial instability. He said that economic security and financial stability are bolstered by technologies that keep the U.S. financial system secure and financial regulation that incentivizes the flow of credit to strategic sectors. He said that the twin priorities of economic growth and economic security would guide the Council's future approach to identifying priorities, evaluating risk, and recommending regulatory or supervisory changes. He said that the Council was operationalizing these priorities through interagency staff working groups, and would share updates about its progress in 2026 as the work evolves.

The Chairperson stated that the Council's 2025 annual report also reflected the reorientation of the Council's priorities. He said that in this report, the Council was shifting from its past approach regarding its annual report, where he said that nearly every sector of the economy, major market, and major financial institution was described as a financial stability vulnerability. He said that by introducing a new structure centered on fostering economic growth and economic security, the Council was focusing on the issues that matter most for enduring U.S. financial stability. He then turned to Christina Skinner, Deputy Assistant Secretary for the Council at Treasury, and Siobhan Sanders, Senior Manager for Supervisory Research and Analysis at the Federal Reserve Bank of Boston, to present on the Council's 2025 annual report.

Ms. Skinner stated that President Trump had consistently highlighted the link between robust financial markets and American prosperity, and she noted that Secretary Bessent had led Treasury this year with a pro-growth agenda. She noted that in May, Secretary Bessent had publicly outlined his growth-oriented vision, emphasizing the importance of a deregulatory agenda. She said he had underscored that Treasury would recognize and prioritize economic security as national security. She said that the Council's annual report reflected the Council's progress on the economic growth and economic security prisms of financial stability. She said that throughout 2026, the Council would operationalize its new priorities through several interagency staff working groups. She then provided a brief overview of these working groups and proposed Council activities for 2026.

First, Ms. Skinner stated that the Council had formed a new market resilience working group that would focus on Treasury, short-term wholesale funding, credit, and equity markets. She said that

the working group would monitor for vulnerabilities that could affect the resilience of these markets, which she said would directly implicate U.S. economic security. She said that this working group would also assess opportunities for further regulatory modernization by considering whether certain components of the regulatory framework have distorted, or imposed undue costs on, these critical markets in ways that could negatively impact economic growth.

Second, Ms. Skinner stated that the Council had formed a new household resilience working group that would focus on American households' financial condition so that the Council can identify gaps or impediments in developing the parallel prosperity that is central to the economic agenda the Chairperson had outlined. She said that the Council would undertake well-tailored monitoring of household financial resilience, which she said would consider household debt and liquidity conditions and help the Council to develop early warning indicators of potential stress in the household balance sheet.

Third, Ms. Skinner stated that the Council had formed a new AI working group to explore opportunities for further AI adoption among Council member agencies and by their regulated entities. She said that the financial system must be dynamic in incorporating technological change to optimally support growth, and must also harness emerging AI-based technology to ensure the robustness of its cyber and quantum attack defenses. She said that the Council would continue to monitor for potential financial stability risks that might arise as AI adoption evolves.

Fourth, Ms. Skinner stated that the Council would augment its crisis preparedness efforts. She said that the Council had launched a new crisis preparedness workstream to support interagency efforts to prepare for cyber attacks at financial institutions or financial market infrastructure, or disruptions at critical service providers. She said that this workstream would also assess potential threats to financial stability from other kinds of technological advancements, such as potential threats associated with quantum technology and geopolitical risk.

Ms. Skinner stated that several of the Council's current committees would remain active. She said that the Council would continue to monitor vulnerabilities through its Systemic Risk Committee and, through its Financial Market Utilities (FMU) Committee, would continue to conduct reviews of FMUs designated as systemically important by the Council to evaluate whether the designation remains appropriate, and monitor new entrants to the FMU sector.

Ms. Sanders stated that this year's annual report found that overall, financial markets and institutions performed well in 2025, supporting the smooth provision of credit to businesses and households and facilitating asset price discovery. She said that core markets and institutions, including critical short-term funding and Treasury markets, remained operational and resilient in the face of a short-lived bout of market volatility in early April. She said that banking system resilience was reinforced by growth in revenues and profitability and further supported by healthy liquidity buffers and capital levels that remained close to long-term peaks. She said that against this backdrop of a well-functioning system, the economy and financial sector remained dynamic. She said that important changes to financial regulation, financial innovation and technology, and the risk landscape continued to present both opportunities and risks to financial stability and demanded the careful attention of the Council.

Ms. Sanders stated that to improve the precision and effectiveness of the Council's annual report, the Council Secretariat had restructured the report compared to previous years to highlight in one section the Council's four priority areas, with each of the topics accompanied by actionable policy recommendations. She said that developments in other important sectors and markets, where risks merit ongoing monitoring but do not have an associated policy recommendation, were separately described in the annual report. She then summarized the report's four key areas of focus and related recommendations.

Ms. Sanders stated that the first key area of focus highlighted in the annual report was bolstering resilience in the U.S. Treasury market, which she said remained a top priority for the Council and its member agencies. She said that as the deepest and most liquid market in the world, the Treasury market plays a unique role underpinning financial activity across domestic and global economies and performing numerous critical functions. She said that the Treasury market had nonetheless experienced bouts of disruption in recent years, including in early April 2025, when liquidity conditions deteriorated alongside an abrupt increase in market volatility. She said that while this episode was short-lived and the Treasury market continued to function, the incident further underscored the importance of bolstering market resilience to future shocks.

Ms. Sanders stated that Council member agencies had already implemented certain reforms aimed at enhancing market resilience, while other reforms remained in progress. She said that the Council strongly supported these efforts through the continued coordination of the Inter-Agency Working Group on Treasury Market Surveillance and the Council's new market resilience working group. She said that the Council also supported the SEC in its efforts to implement a central clearing mandate for Treasuries and endorsed banking agencies' recent finalization of a rule amending the enhanced supplementary leverage ratio (eSLR). Finally, she said that the Council recommended close monitoring of market developments such as the potential entry of new Treasury central counterparties and the implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, to better understand related impacts on Treasury market structure, functioning, and demand.

Ms. Sanders stated that the second key area of focus highlighted in the annual report was addressing cyber risk and navigating an evolving threat landscape. She said that the cyber threat landscape remained dynamic, with nation-state actors and sophisticated criminal groups continuing to target financial institutions and critical financial infrastructures. She said that while cyber incidents had not had a major impact on financial stability so far, if successful, a significant cyber attack has the potential to disrupt operations, challenge access to liquidity, and erode confidence in the financial system. She said that the Council recommended that member agencies continue to expand joint monitoring and information-sharing efforts among regulators and industry stakeholders and endorsed the increased use of scenario-driven tabletop exercises to help bolster preparedness for cyber incidents. She said that the Council encouraged public and financial services sector partners to consider the cryptographic risks of quantum computers and their impact on the future cyber risk landscape and to take appropriate steps to facilitate the migration to quantum-resistant encryption technologies.

Ms. Sanders stated that cyber attacks that target third-party services were also an area of Council concern. She said that financial regulators have varying degrees of authority to supervise third-

party service providers. She said that the Council encouraged federal banking regulators to continue coordination of third-party service provider examinations, expand collaborative outreach with state regulators, and identify additional ways to support information-sharing among regulators. She said that the Council recommended that Congress pass legislation to ensure that the FHFA has adequate examination and enforcement power to manage the risks associated with services provided by third parties to its regulated entities.

Ms. Sanders stated that the third key area of focus highlighted in the annual report was the need to continue enhancing supervisory and regulatory frameworks for depository institutions. She said that an appropriately regulated and supervised banking system is critical to financial stability. She noted that 15 years had passed since the reforms initiated following the global financial crisis. She said that while some reforms had made the banking system more resilient to shocks, others had proven more costly than beneficial and, in some cases, had led to unintended consequences.

Ms. Sanders stated that banking agencies were engaged in a holistic review of supervision and regulation, with a focus on modernizing and simplifying the capital framework and tailoring supervision and regulation to the underlying financial risks. She said that the Council endorsed proposals and actions taken by the banking agencies and the NCUA in 2025 to enhance the supervision and regulation of banks and credit unions. She said that the Council encouraged the consideration of new proposals and guidance to further modernize these frameworks, enhance transparency, reduce unnecessary regulatory burdens, and better align regulatory treatment to avoid market distortions. She said that the Council supported recent efforts by banking agencies to recalibrate regulatory and supervisory expectations, clearly define unsafe or unsound practices for supervisory and enforcement purposes, and reduce compliance costs for community banks.

Ms. Sanders stated that the fourth key area of focus highlighted in the annual report was the importance of harnessing AI to promote financial stability. She noted that while AI technology has existed for decades, recent technological advances had spurred a significant increase in adoption. She said that use cases in the public sector, financial sector, and broader private sector had expanded quickly. She said that the Council recommended that member agencies use the Council's AI working group to explore opportunities for AI to promote the resilience of the financial system, while also monitoring for potential risks to financial stability that might be posed by the adoption of AI both within and outside the financial services sector. Ms. Sanders stated that the Council endorsed continued cooperation by Treasury, the Financial and Banking Information Infrastructure Committee (FBIIC), and the Financial Services Sector Coordinating Council, and continued engagement with international counterparts regarding the use of AI in financial services.

She said in conclusion that implementing the Council's recommendations across these four areas would enhance the efficiency and effectiveness of the financial system and deepen the system's resilience. She said that the Council would continue to fulfill its statutory duties by monitoring key financial sectors and markets for potential threats to U.S. financial stability.

Following the presentation, the Chairperson called on other Council members to comment.

Jerome Powell, Chair of the Federal Reserve, expressed his support for the annual report.

Paul Atkins, Chairman of the SEC, welcomed the Council's emphasis in the annual report on sustainable long-term economic growth. He said that this focus would neither displace the Council's ongoing assessment of the U.S. financial system nor diminish the Council's monitoring of financial stability. He said that this new focus recognized that market resilience and economic growth are twin pillars, rather than competing imperatives, of U.S. financial security. He said that this framework enabled the Council to organize its findings and key areas of focus in the annual report, separating formal recommendations from significant market developments that warrant continued monitoring, and produce a clearer, more coherent picture of the U.S. financial system. Chairman Atkins stated that he was eager to build on the Council's momentum next year, including by undertaking a thoughtful review of the Council's interpretive guidance for nonbank financial company designation. He said that when firms face the prospect of arbitrary and capricious designation, they cannot plan for growth or undertake strategic decisions. He said that this risk impairs their ability to deploy capital efficiently and serve their customers effectively, undermining the shared objectives of Council member agencies. Chairman Atkins stated that Federal Reserve supervision, which relies upon capital standards, would impose a meaningless regulatory framework upon asset managers, insurance companies, and investment funds. He said that the American economy remained the world's greatest engine of growth and innovation, and he said that the Council's work should support, not undermine, that strength.

Jonathan Gould, Comptroller of the Currency, expressed his support for the annual report.

Caroline Pham, Acting Chairman of the CFTC, expressed her support for the Council's focus on U.S. economic growth as critical to financial stability. She said that this year, the CFTC had unlocked tens of billions of dollars of capital and collateral regulatory relief that could now be redeployed towards credit and financing for businesses and households to drive U.S. economic growth. She said that the CFTC had also eliminated duplicative, unnecessary, and excessive regulatory requirements, which she said would yield an estimated hundreds of millions of dollars in annual cost savings for CFTC market participants.

William Pulte, Director of the FHFA, stated that 2025 was one of the best years, if not the best year, in the history of the safety and soundness of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. He said that under President Trump's leadership, mortgage-backed securities spreads had tightened significantly. He said that the market was confident in President Trump's decision-making regarding the mortgage market and Fannie Mae and Freddie Mac. He said that the FHFA had refocused Fannie Mae and Freddie Mac on operating more efficiently while increasing profitability, eliminating fraud, and ensuring that the mortgage market is safe and sound. He said that Fannie Mae and Freddie Mac were generating more cash than ever and were more safe and sound than ever. He said that since January, Fannie Mae had eliminated over \$550 million in operating costs. He said that despite the strong performance of Fannie Mae and Freddie Mac, the annual report noted that housing affordability remained a persistent challenge nationwide. He said that housing prices had increased more than 50 percent in the last five years. He said that home prices had become overly elevated because interest rates had previously remained too low, before rising substantially. He said that mortgage rates had recently dropped nearly 1 percentage point, and he noted that the Federal Reserve had started to lower interest rates. He said that as a result of actions by the Administration and falling interest

rates, mortgage applications had increased 11 percent in the last 18 weeks, which he said was a three-year high. He said that he was optimistic about the ability of FHFA to improve housing affordability.

Kyle Hauptman, Chairman of the NCUA, noted that the annual report highlighted the importance of collaboration among Council member agencies. He said that successful implementation of the GENIUS Act and other regulatory actions would depend upon coordination and collaboration among the relevant regulators. He said that he appreciated the annual report's focus on AI. He said that in the areas of both digital assets and AI, it appeared that Americans would be successful in monetizing innovation.

Lise Kruse, Commissioner of the North Dakota Department of Financial Institutions, stated that the strength and resilience of the U.S. financial system requires that regulators monitor a diverse and evolving risk landscape. She said that this was particularly challenging given the cybersecurity threats facing financial institutions and their service providers. She said that financial institutions shared this view, and she noted that cybersecurity consistently ranks among the top concerns of bankers in the annual survey of community banks conducted by CSBS. She said that state regulators continued to see increasing volume and sophistication in cyberattacks. She said that access to innovative technology, information sharing among the regulatory community, and coordinated supervision are essential to regulators' efforts to protect these firms and their customers. She said that cybersecurity remains a threat to financial stability, and she expressed her appreciation for the Council's continued focus on cyber and operational resilience. She also highlighted the importance of collaboration as state and federal agencies work to implement regulations for payment stablecoin issuers. She said that states have experience licensing and supervising money transmission and payments firms, including stablecoin issuers, and had developed regulatory regimes that encourage innovation and safeguard consumers. She said that collaboration between state and federal regulators would help ensure that the requirements of the GENIUS Act are implemented in an effective manner that protects consumers and captures the benefits of the dual banking system. Finally, she noted that the role of AI in financial services is expanding rapidly. She said that while innovation brings opportunity, it also introduces novel risks and challenges. She said that the industry would benefit from baseline, technology-neutral risk-management expectations that promote consistency without stifling innovation. She welcomed partnership with federal regulators to develop supervisory approaches in this space. She said that in the areas of cybersecurity, GENIUS Act implementation, and AI, the strength of the regulatory system depends on collaboration among federal and state regulators to implement durable regulatory frameworks. She said that states remained committed to that partnership and to ensuring that this collaboration would continue to promote economic resilience and a stable financial system.

Following the remarks, the Chairperson expressed his appreciation for the collaboration of the Council member agencies in preparing the annual report. He then presented to the Council the following resolution approving the Council's 2025 annual report:

WHEREAS, the Financial Stability Oversight Council (Council) under section 112 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) is required to annually report to and testify before Congress on: (1) the activities of the Council; (2) significant

financial market and regulatory developments, including insurance and accounting regulations and standards, along with an assessment of those developments on the stability of the financial system; (3) potential emerging threats to the financial stability of the United States; (4) all determinations made under section 113 or title VIII of the Dodd-Frank Act, and the basis for such determinations; (5) all recommendations made under section 119 of the Dodd-Frank Act and the result of such recommendations; and (6) recommendations to (a) enhance the integrity, efficiency, competitiveness, and stability of U.S. financial markets; (b) promote market discipline; and (c) maintain investor confidence; and

WHEREAS, the staffs of the Council members and their agencies prepared the attached 2025 annual report of the Council (2025 Annual Report) pursuant to section 112 of the Dodd-Frank Act, and members of the Council have reviewed and commented on the report.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the 2025 Annual Report and authorizes the Chairperson, or his designee, to take such action as they may deem necessary or appropriate to transmit the 2025 Annual Report to Congress and to release it to the public; and

BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the Chairperson, or his designee, to make technical, nonsubstantive, or conforming changes to the text of the 2025 Annual Report and to take such other actions as they may deem necessary or appropriate to prepare the report for transmittal to Congress and release to the public.

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

2. Bank Supervision and Regulation

The Chairperson then introduced the next agenda item, an update on bank supervisory and regulatory frameworks. He said that throughout 2025, he had underscored the importance of a fundamental reset of financial regulation. He said that an appropriately regulated banking system is critical to economic growth and to long-term U.S. financial stability. He said that the bank regulatory regime had expanded into an increasingly complex set of rules. He said that this regime is overly burdensome and weighs on banks' ability to effectively serve the broader economy. He said that Treasury was playing an active role in efforts to modernize the regulatory framework. He said that going forward, the regulatory approach should promote safety and soundness while also positioning banks and other regulated entities to advance economic growth and economic security. He said that he appreciated the banking agencies' progress in recent months, including by modifying the eSLR so that it serves as a backstop to risk-based capital requirements. He said that this change was intended to avoid discouraging banks from engaging in low-risk activities such as Treasury intermediation. He then turned to Chair Powell for an update.

Chair Powell introduced Michelle Bowman, Vice Chair for Supervision at the Federal Reserve, and turned to her for an update. Vice Chair Bowman stated that the Federal Reserve had been working since the September Council meeting in an effort to modernize regulatory frameworks

while also preserving safety and soundness. She began with updates regarding community banks, which she said serve Main Street and are drivers of economic growth. She said that after the Council's September meeting, she had hosted a community bank conference at the Federal Reserve to help inform its community banking agenda. She said that the Federal Reserve was working to tailor its regulatory and supervisory framework, especially for community banks, to accurately reflect the risk that different banks pose to the financial system. She said that it is not appropriate to impose policies designed for the largest banks on smaller, less risky, and less complex banks. She said that the Federal Reserve, together with the FDIC and the OCC, recently proposed changes to the community bank leverage ratio to provide greater flexibility, while preserving strong capital and safety and soundness, and to enable community banks to better support their communities. She said that the Federal Reserve also released new capital options for mutual banks, giving them more clarity on issuing capital. She said that the Federal Reserve was exploring streamlining the merger and acquisition and de novo processes for smaller banks, as well as updating its merger analysis to accurately reflect and analyze competition among small banks.

Vice Chair Bowman also stated that the Federal Reserve was modernizing and simplifying its regulations for larger banks. She said that the Federal Reserve was engaged in a comprehensive review of its capital framework. She said that the Federal Reserve issued a proposal to enhance the transparency and public accountability of its stress tests to promote more robust outcomes. She said that the Federal Reserve was disclosing its stress test models, the design framework, and the 2026 test scenarios. She said that the Federal Reserve proposal would ensure that any future significant changes would benefit from public input. She said that the banking agencies had recently finalized changes to the eSLR for U.S. global systemically important banks (G-SIBs), which she said would restore the eSLR as a backstop and promote Treasury market functioning, allowing banks to engage in other low-risk activities as well. She said that the Federal Reserve was also working on a proposal with the OCC and the FDIC to implement Basel III. She said that the agencies were considering each of the elements of that agreement rather than reverse-engineering changes to achieve predetermined outcomes. She said that the Federal Reserve was considering ways to better align the capital charge on mortgage loans with their underlying risk in a manner that would benefit the banking system and consumers. She said that the Federal Reserve was working to recalibrate the G-SIB surcharge framework to avoid impairing the banking sector's ability to support the broader economy. She also noted that the Federal Reserve had rescinded interagency climate guidance.

Vice Chair Bowman stated that the Federal Reserve had shifted the focus of its supervisory efforts to prioritize material financial risks. She said that last month, the Federal Reserve published its supervisory operating principles, which she said are designed to prioritize material financial risks in examinations and in ratings, reduce the duplication between exams from different supervisors, and streamline the remediation of issues cited by supervisors. She said that these operating procedures would reduce the overlap in supervision by directing Federal Reserve staff to rely to the fullest extent possible on the exams of other supervisors, as is required by law. She said that the Federal Reserve was also considering a regulation designed to clarify standards for enforcement actions based on unsafe or unsound practices and matters requiring attention, and reintroducing the use of nonbinding supervisory observations. She said that this would refocus the Federal Reserve's resources on material issues that had historically correlated to bank

failures, and would create a more effective oversight system. She said that the Federal Reserve had removed reputation risk from its supervision, and was considering a regulation to prevent supervisory influence from leading banks to debar a customer. She said that the CAMELS rating framework, which is used by banking regulators to assess the financial health of financial institutions they regulate, was also under review, along with the bank examiner training program. She said that establishing clear metrics for the components of CAMELS would promote transparency and objectivity in Federal Reserve examinations, and enhancing examiner training would improve Federal Reserve supervision. She said that Council member agencies and other bodies, including the CSBS, the FDIC, the OCC, the NCUA, the CFPB, and the FBIIC, were working to advance a number of these initiatives. She said that the Federal Reserve also recently finalized revisions to the large-bank ratings system. Finally, she noted that the Federal Reserve was working to implement the GENIUS Act and was undertaking efforts to advance innovation.

Following Vice Chair Bowman's remarks, the Chairperson stated that he welcomed the efforts of the Federal Reserve in this area. He said that when banks prosper, Main Street also benefits.

The Chairperson then turned to Travis Hill, Acting Chairman of the FDIC, for an update. Acting Chairman Hill stated that the FDIC was working to improve its supervisory and regulatory approach across an array of issues, while continuing to fulfill its core mission of ensuring deposits, promoting the safety and soundness of banks, and resolving failed institutions. He said that at the September Council meeting, he noted actions the FDIC had taken in 2025, or was planning to take in the coming months, to advance these goals. He said that since September, the FDIC had issued a notice of proposed rulemaking jointly with the OCC that would define an unsafe or unsound practice for purposes of Section 8 of the Federal Deposit Insurance Act and matters requiring attention, and would establish a new framework for issuing nonbinding supervisory observations. He noted a number of other recent FDIC actions, including issuing a notice of proposed rulemaking jointly with the OCC that would prohibit examiners from criticizing or taking adverse action against banks on the basis of reputational risk, or requiring, instructing, or encouraging an institution to close accounts or take certain other actions on the basis of a customer's political, social, cultural, or religious views; rescinding guidance on climate-related financial risks; issuing a final rule raising and indexing 37 asset-based thresholds, most of which apply to audit, internal control, and related reporting requirements; issuing a notice of proposed rulemaking jointly with the OCC and the Federal Reserve that would amend the community bank leverage ratio to expand the universe of eligible institutions and encourage broader adoption; issuing a final rule jointly with the OCC and the Federal Reserve to modify the eSLR to ensure it more frequently serves as a backstop to risk-based capital standards; launching initiatives to improve the FDIC's resolution capabilities, including a pilot program for expanded nonbank participation in the failed-bank bidding process; implementing a revised examination cycle that reduces the frequency of compliance examinations for most small banks; conducting reviews of potential debarment in response to Executive Order 14331, "Guaranteeing Fair Banking for All Americans"; and withdrawing from the 2013 interagency leverage lending guidance, replacing it with general principles for safe and sound lending to promote more bank lending to businesses that drive economic growth. He noted upcoming FDIC initiatives, including steps to reform supervision, such as CAMELS reform and updates to the FDIC's examination manuals; implementation of the GENIUS Act; a re-proposal of rules implementing Basel III, and an interagency proposal to reform the Bank Secrecy Act (BSA) Program Rule.

The Chairperson then turned to Comptroller Gould for an update. Comptroller Gould stated that since the September Council meeting, the OCC had carried out several efforts to strengthen its supervision, restore banks to their role as financial intermediaries, and undo some of the regulatory and supervisory constraints introduced by the Dodd-Frank Act. He said that for too long, financial regulation had impeded the federal banking system from supporting the American economy to its full extent, in some cases pushing banking activities out of OCC-regulated banks. He said that capital that could have supported American businesses, home buyers, and farmers was instead left on the sidelines. He said that although other lenders had taken steps to fill some of these gaps, which he called a sign of the strength and dynamism of the financial services system, banks and their supervisors often have less visibility into these arrangements and less ability to manage any associated risks, including risks to which banks are indirectly exposed.

Comptroller Gould stated that the OCC and the FDIC had recently rescinded the 2013 interagency leveraged lending guidance. He said that this guidance had become a de facto prohibition on broad categories of important lending activity. He said that with the rescission of this guidance, the OCC had restored a risk-based supervisory approach, enabling banks to make decisions consistent with safe and sound lending principles applicable to other lending activities. He said that rescinding this guidance enabled the OCC to increase supervisory transparency and promote financial stability.

Comptroller Gould stated that since the September Council meeting, the OCC had taken other important steps with federal banking agency colleagues. He said that the OCC had finalized changes to the eSLR, ensuring that the eSLR functions as a backstop to risk-based capital requirements rather than a binding constraint. He said that this change would increase market resilience and lending capacity. He said that the OCC had also issued a proposed rule revising the community bank leverage ratio. He said that this proposal, if finalized, would improve community banks' ability to serve local businesses, homeowners, and entrepreneurs. He said that lowering the threshold and extending the grace period would free eligible banks from unnecessary compliance exercises while maintaining their safety and soundness. He said that community banks play an outsized role in promoting economic growth and security and that they have been negatively impacted by one-size-fits-all supervision. He said that the OCC announced a series of reforms in October and November to reduce burden and tailor examination activities for community banks. He said that the OCC had eliminated mandatory examination activities not required by statute or regulation, which he said represented a return to risk-based supervision. He said that the OCC had also clarified expectations for community banks regarding model-risk management, retail non-deposit investment products, and BSA/anti-money laundering (AML) requirements, that acknowledge the generally low levels of risk for community bank activities and the inappropriateness of subjecting them to compliance standards designed for larger banks. He said that the OCC had issued a proposed rule to provide expedited licensing procedures for certain community banks that support their expansionary activities. He said that the OCC had also issued requests for information regarding the challenges that community banks face with their core service providers and other essential third-party service providers that affect the banks' ability to remain competitive. He said that each of these efforts was intended to ensure the long-term viability and relevance of the community bank business model.

Comptroller Gould stated that the OCC was also focused on strengthening supervision by putting it on a firmer legal foundation and refocusing it on material financial risks. He said that these efforts would make it less likely that the OCC would miss obvious threats to a bank's safety and soundness, as he said apparently occurred with Silicon Valley Bank. He said that the OCC had issued a joint proposal that would define unsafe or unsound practices and reform the use of matters requiring attention. He said that the OCC's goal was to concentrate supervisory and bank attention on material financial risks that threaten safety and soundness, not on secondary procedural issues. He said that the OCC had also issued a proposed rule that would eliminate reputation risk from its rules and supervision. He said that the concept did not improve safety and soundness and had been abused repeatedly. He said that these actions represented an initial but not sufficient effort to undo discretionary regulatory and supervisory policy choices made after the 2008 global financial crisis. He said that he welcomed collaboration with Council member agencies on these efforts in 2026. He said that the OCC would also focus on reforms to liquidity risk management and BSA/AML compliance, ensuring pathways for safe and sound innovation for all banks, and further reducing the burden on community banks. He said that in his capacity as an FDIC board member, he would focus on resolution planning and execution capabilities, and reinvigorating de novo chartering. He said that he looked forward to working with state chartering authorities and that he welcomed the efforts of the Federal Financial Institutions Examination Council to develop best practices on this issue.

The Chairperson then turned to Chairman Hauptman. Chairman Hauptman stated that no NCUA policy would be established through an enforcement action and that NCUA examiners would extend the same due process protections to credit unions that examiners receive under civil service laws. Chairman Hauptman stated that the NCUA had begun to implement a deregulatory agenda across a variety of areas. He said that there are over 4,300 federally insured credit unions in the United States, which serve 145 million Americans. He said that credit unions have unique attributes related to their business model and fields of membership. He said that the NCUA would seek to ensure that credit unions are regulated in a similar manner to other entities, while taking into consideration their unique attributes. He said that he looked forward to coordinating with banking regulators in 2026, including on the implementation of the GENIUS Act.

Following the remarks, the Chairperson thanked the Council member agencies for their work in removing undue regulatory impediments in an effort to accelerate economic growth. He said that this was an important effort and that he welcomed continued coordination during the next three years.

3. Resolution Approving the Minutes of the Meeting Held on September 10, 2025

BE IT RESOLVED, by the Financial Stability Oversight Council (Council), that the minutes attached hereto of the meeting held on September 10, 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.

The Chairperson adjourned the meeting at approximately 4:52 p.m.