FINREG Focus

U.S. Financial Services Regulatory Center Update

May 18, 2026

Executive Summary

This update's headline items:

1. National Credit Union Administration (NCUA) proposes rule for credit union-linked stablecoin issuers.
2. Office of the Comptroller of the Currency (OCC) finalizes escrow authority rule and preempts state interest-on-escrow laws.
3. Federal Reserve Board (FRB) renews calls for relief from the CECL accounting standards.
4. U.S. House of Representatives passes financial services measures with implications for smaller institutions.
5. SEC outlines leadership priorities in remarks at Managed Funds Association (MFA) legal and compliance conference.

Overview of Key Developments

1. The NCUA has proposed a rule to implement the GENIUS Act for federally insured credit unions (FICUs) and their subsidiaries. The proposal builds on the NCUA's February 2026 licensing framework by establishing detailed standards for the issuance of payment stablecoins through FICU subsidiaries, including credit union service organizations (CUSOs). The rule clarifies the scope of NCUA jurisdiction by confirming that FICUs may not issue payment stablecoins directly. Instead, issuance must occur through a separately licensed subsidiary subject to NCUA supervision.

The proposal outlines prudential standards for NCUA-licensed permitted payment stablecoin issuers (PPSIs). Payment stablecoins must be fully reserved on a 1:1 basis with high-quality liquid assets, and issuers must publicly disclose their reserve composition and redemption policies monthly. The proposal reinforces statutory prohibitions by barring issuers from paying any form of interest or yield on payment stablecoins and from marketing or representing stablecoins as having government backing, deposit insurance, or share insurance. It also establishes custody and safeguarding expectations, requiring reserve assets and private keys to be held with qualified, regulated custodians under arrangements that ensure segregation and protection of customer assets. In addition, issuers would be subject to risk management, capital, and liquidity requirements tailored to their operational and technology risks, as well as ongoing NCUA examination and *Bank Secrecy Act* and anti-money laundering compliance obligations.

The proposal also addresses share insurance and state law issues, clarifying that payment stablecoins themselves are not insured and funds held at a FICU as reserve assets are insured only as corporate accounts of the issuer, with no pass-through insurance to stablecoin holders. Consistent with the GENIUS Act, the rule recognizes federal preemption of state licensing or chartering requirements for NCUA-licensed FICU subsidiaries. Separately, the NCUA confirmed that tokenized share accounts recorded on distributed ledger technology remain insured share accounts, provided they otherwise meet statutory requirements.

Public comments are requested on the proposal through July 17, 2026.

2. The OCC finalized two coordinated rules on national banks' and federal savings associations' real estate lending powers related to the payment of interest on funds held in escrow accounts. The first rule formally codifies banks' long-standing and recognized authority to establish and manage escrow accounts as part of their federally authorized real estate lending powers. The second rule determines that federal law preempts certain state requirements that mandate interest payments or restrict fees. The action reaffirms that decisions on escrow account terms, including whether and to what extent to provide compensation, pricing, and the investment of escrowed funds are business judgments subject to bank discretion consistent with safe and sound banking principles.

Together, the rules clarify that national banks and federal savings associations have broad, federally authorized flexibility in structuring escrow accounts used in real estate lending, including whether to pay interest or charge related fees. State interest-on-escrow laws that require specific interest payments or prohibit related fees interfere with this discretion and are therefore preempted under the *National Bank Act* conflict-preemption standard as articulated in Barnett Bank and codified in Dodd-Frank. The preemption determination covers New York and 13 other states and territories with substantively equivalent laws. The final rules follow the Second Circuit's May 2026 ruling that New York's interest-on-escrow law is preempted.

The OCC positions these actions as reinforcing uniform national standards and reducing legal uncertainty for banks operating across multiple jurisdictions, with the agency emphasizing that escrow account practices are a core component of mortgage lending powers and that preserving flexibility may, in the OCC's view, support more efficient pricing, lower upfront costs, and continued access to mortgage credit, without mandating or guaranteeing such outcomes.

3. Federal Reserve Vice Chair for Supervision Michelle Bowman recently called for repeal, exemption, or a practical expedient for community banks under CECL, stating that the standard "clearly did not improve safety and soundness." Her remarks were delivered during a FASB roundtable hosted at the Federal Reserve as part of its post-implementation review of CECL. Bowman's remarks reflect concerns that CECL's operational demands are disproportionate to the risk profile of smaller institutions.

Similarly, industry groups have outlined alternatives short of repeal. In recent commentary, the American Bankers Association argued that CECL's challenges stem less from the concept of lifetime loss estimation and more from how the standard is applied in practice, particularly expectations around precision, documentation, model validation, and vendor-driven complexity. ABA has urged FASB to allow greater use of public economic data, peer benchmarks, and scalable tools such as the Federal Reserve's SCALE model to simplify compliance for non-complex banks.

For smaller banks, CECL has introduced significant recurring costs without materially improving allowance levels or decision-useful information, tying up resources that could otherwise support lending and local economic activity. As FASB completes its review, which is expected to conclude by year-end, the debate frames two paths forward for community banks: structural relief from CECL altogether, or a more practical, scalable approach that preserves safety and soundness while materially reducing compliance burden.

4. The U.S. House of Representatives (House) passed several measures aimed at reducing regulatory burden and strengthening capacity at community and small financial institutions.

Two of the measures focus on tailoring oversight for lower-risk community financial institutions. The Supervisory Modifications for Appropriate Risk-Based Testing (SMART) Act of 2025 (H.R. 4437) would allow well-managed, well-capitalized banks and credit unions with up to $6 billion in assets to alternate full-scope and limited-scope examinations and permit combined exams, aligning oversight intensity with actual risk and freeing resources for local lending. Similarly, the Tailored Regulatory Updates for Supervisory Testing (TRUST) Act of 2025 (H.R. 4478) would raise the asset threshold from $3 billion to $6 billion at which a well-managed, well-capitalized institution qualifies for an 18-month examination cycle, reducing exam frequency and compliance costs while preserving core safety and soundness oversight.

The House also approved the Advancing the Mentor–Protege Program for Small Financial Institutions Act (H.R. 3709), which would codify a U.S. Department of the Treasury-run financial agent mentor–protege program that pairs small, rural, and minority financial institutions with larger mentors. The program aims to build these institutions' operational capacity and prepare them to serve as Treasury financial agents, improving their access to federal programs and ability to serve underserved communities.

These measures reflect a continued push in Congress to recalibrate supervisory requirements for smaller institutions, promote proportional regulation, and strengthen the long-term viability of community banking.

5. In remarks at the MFA Legal & Compliance 2026 Conference, SEC Enforcement Director David Woodcock outlined a "back-to-basics" approach for the Division of Enforcement (Division), grounded in the SEC's core mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. Aligning with SEC Chair Paul Atkins' direction, Woodcock emphasized a deliberate shift toward prioritizing the quality of enforcement actions over total case volume, stating that the Division is focused on matters that present real harm to investors and markets, while reinforcing professionalism, efficiency, and fairness in enforcement execution.

Woodcock identified a set of foundational enforcement priorities that will remain central under his leadership, including offering fraud, accounting and disclosure fraud, insider trading, market manipulation, cross-border fraud targeting U.S. markets, and fiduciary breaches involving advisers misusing client assets. He noted that these core fraud and market integrity cases reflect the original purpose of the Enforcement Division and will continue to be pursued aggressively. Financial reporting was highlighted as a particular focus area, with the Division prioritizing cases involving misleading disclosures, deficient internal controls, and inaccurate accounting that undermine investor confidence.

The private funds space will also continue to receive close scrutiny, particularly with respect to valuations, fees, conflicts of interest, safeguarding of client assets, and disclosure practices across the distribution chain. Woodcock specifically flagged stress emerging in portions of the private credit market, noting that the Division is monitoring developments in this rapidly growing asset class. In addition, he announced plans to reinstitute the Retail Fraud Working Group to strengthen coordination with state and federal partners and enhance protections for retail investors.

Finally, Woodcock underscored a calibrated enforcement approach that distinguishes between honest mistakes that cause no investor harm and intentional misconduct. He emphasized that firms can influence enforcement outcomes through early self-reporting, meaningful cooperation, and remediation, noting that entities that engage constructively with the Division will be treated differently from those that conceal or obstruct. Together, these themes signal an enforcement program focused on core fraud risks, targeted use of resources, and increased transparency and engagement with market participants.

Recent Key Regulatory Developments

Legislation

Date	Topic	Summary
5/13	House Passes Bipartisan Financial Services Bills	U.S. House of Representatives passed several bills from the House Committee on Financial Services that focus on easing regulatory and examination requirements for well-managed community banks, expanding capacity-building support for small and underserved financial institutions, and addressing a targeted trade-finance issue.
5/14	Senate Banking Committee Advances CLARITY Act	Senate Banking Committee advanced the Digital Asset Market Clarity Act of 2025 out of committee at markup. The bill now moves toward full Senate consideration, where it must be reconciled with parallel digital asset market structure legislation from the Senate Agriculture Committee as part an ongoing bipartisan, bicameral effort.
5/14	House Financial Services Committee Reports Six Bills to the House	House Financial Services Committee reported six bills to the House of Representatives, advancing legislation focused on monetary policy, fraud prevention, and the use of artificial intelligence in financial services for potential consideration by the full House.

Federal Reserve Board

Date	Topic	Summary
5/13	FRB Releases 2025 Economic Well-Being of U.S. Households Report	FRB reported that U.S. household financial well-being in 2025 remained broadly consistent with recent years, with a solid but softening labor market and price increases continuing as the most common financial concern for households.

Office of the Comptroller of the Currency

Date	Topic	Summary
5/15	OCC Final Rule Codifies Bank Authority Over Mortgage Escrow Account Terms	OCC issued a final rule formally recognizing banks' authority to establish and manage real estate escrow accounts and clarifying that decisions on features such as interest payments, fees, and investment of escrowed funds are business judgments left to each institution.
5/15	OCC Finalizes Preemption of State Interest-On-Escrow Laws	OCC finalized a rule determining that federal law preempts state laws requiring interest payments or limiting fees on mortgage escrow accounts, concluding such restrictions interfere with banks' federally authorized discretion over escrow account terms.

Federal Deposit Insurance Corporation

Date	Topic	Summary
5/14	FDIC Releases Staff Report on Depositor Behavior During the 2023 Bank Failures	The agency's report finds the 2023 bank failures were primarily driven by rapid deposit runs led by a small group of large, often uninsured depositors, with most outflows occurring over just a few days via wire transfers. Fully insured retail deposits remained largely stable or increased, underscoring both the stabilizing role of deposit insurance and the risks posed by deposit concentrations.
5/15	FDIC Updates Q&As on Official Signs and Advertising Requirements	FDIC updated its Questions and Answers on Part 328 to reflect 2026 amendments to official signage and advertising rules, providing clarifications to support implementation across digital channels, ATMs, and other deposit-taking activities ahead of the April 1, 2027 compliance date.

Recent Key Regulatory Developments

National Credit Union Administration

Date	Topic	Summary
5/13	NCUA Chairman Highlights Credit Unions' Role in Advancing Financial Literacy	NCUA Chairman Kyle Hauptman joined federal regulators and financial institutions at a Treasury- and OCC-hosted roundtable to share best practices and strengthen collaboration on financial education initiatives, emphasizing the role credit unions can play in expanding access to financial literacy and early financial opportunity.
5/15	NCUA Proposes Rule for Credit Union Linked Stablecoin Issuers	NCUA proposed a rule establishing operational and risk management standards for permitted payment stablecoin issuers, including governance, risk controls, and alignment with broader federal supervisory frameworks, as part of implementing the GENIUS Act and bringing credit union-affiliated stablecoin activity under a consistent regulatory regime.

Securities & Exchange Commission

Date	Topic	Summary
5/13	SEC Enforcement Director Signals "Back-to-Basics" Enforcement Approach	In remarks at the MFA Legal & Compliance 2026 Conference, SEC Enforcement Director David Woodcock emphasized a renewed focus on core investor protection and market integrity, stressing quality over quantity in enforcement actions and a return to fundamental securities law principles.
5/14	SEC Highlights Common Noninterest Income XBRL Tagging Errors	SEC published a reference page identifying frequent tagging mistakes in noninterest income disclosures in structured data filings, aiming to improve data quality, consistency, and comparability for investors and regulators.

Recent Key Regulatory Developments

Commodity Futures Trading Commission

Date	Topic	Summary
5/12	[CFTC Approves EU Capital Comparability Determination for Certain Nonbank Swap Dealers]()	CFTC approved a comparability determination and related order granting conditional substituted compliance with U.S. capital and financial reporting requirements for certain CFTC-registered nonbank swap dealers domiciled in France and regulated under the EU Investment Firms framework.
5/12	[CFTC Proposes Updates to Interest Rate Swap Clearing Requirements for CAD and MXN Benchmark Transitions]()	CFTC issued a proposed rule to amend clearing requirements for certain Canadian dollar and Mexican peso interest rate swaps, updating the framework to reflect transitions from CDOR and TIIE to alternative reference rates.
5/12	[CFTC Reasserts Exclusive Federal Authority Over Prediction Markets]()	CFTC filed an amicus brief in the U.S. Court of Appeals for the Sixth Circuit reaffirming that federal law gives the agency exclusive jurisdiction over prediction markets and that state efforts to regulate CFTC-regulated markets are preempted by the *Commodity Exchange Act*.
5/13	[CFTC Issues No-Action Relief on Data Reporting for Event Contracts]()	CFTC staff issued a no-action letter stating they will not recommend enforcement action against designated contract markets, derivatives clearing organizations, or their participants for certain swap data reporting and record-keeping requirements related to fully collateralized event contract transactions, subject to specified conditions.

Financial Accounting Standards Board

Date	Topic	Summary
5/13	[FASB Advances Investment Company Projects and Proposes Targeted Equity Method Updates at May 13, 2026 Board Meeting]()	FASB added projects on fair value measurement of equity securities with contractual sale restrictions and private credit disclosures for investment companies. In addition, FASB discussed amendments to Topic 323 to refine significant influence guidance and address complex allocation structures in equity method accounting.

Deadlines & Compliance Calendar

Agency	Requirement	Due Date
Joint Agency	Comments due on AML & CFT Programs	Jun 9, 2026
	Comments due on FinCEN & OFAC joint proposal for GENIUS Act implementation	Jun 9, 2026
	Comments due on regulatory capital rule & the standardized approach for risk-weighted assets	Jun 18, 2026
	Comments due on regulatory capital framework for Category I & II banking organizations	Jun 18, 2026
OCC	Comments due on streamlining regulations concerning public welfare investments, open market collateralized loan obligations, & federal savings association nondiscrimination requirements	May 27, 2026
	Comments due on order preempting the *Illinois Interchange Fee Prohibition Act*	May 29, 2026
	Comments due on national bank non-interest charges & fees	May 29, 2026
FRB	Comments due on amendments to Regulation J (governing FedNow service)	Jun 9, 2026
	Comments due on G-SIB surcharge proposal	Jun 18, 2026
FDIC	Comments due on FDIC proposed application procedures to issue payment stablecoins	May 18, 2026
	Comments due on FDIC implementation of GENIUS Act	Jun 9, 2026
NCUA	Comments on eliminating prescriptive regulations on third-party servicing of indirect vehicle loans	May 26, 2026
	Comments due on chartering & field of membership	Jun 8, 2026
	Comments due on bank conversion & mergers	Jun 22, 2026
	Comments due on enhancing & streamlining data collection from credit unions	Jun 23, 2026
	Comments due on requirements for insurance	Jul 6, 2026
	Comments due on threshold increase for the major assets prohibition of the DIMIA	Jul 6, 2026

Deadlines & Compliance Calendar

Agency	Requirement	Due Date
SEC	Comments due on proposed amendments to Rule 15c2-11	May 18, 2026
	Comments due on Consolidated Audit Trail & other audit trails & data sources	Jun 22, 2026
	Comments due on Form PF reporting requirements	Jun 23, 2026
	Comments due on definitions of "Security-Based Swap Dealer" & "Major Security-Based Swap Participant"	Jul 6, 2026
	Comments due on semiannual reporting proposal	Jul 6, 2026
CFTC	Comments due on Commitments of Traders reporting program	Jun 4, 2026
	Comments due on *Privacy Act* regulations	Jun 5, 2026
	Comments due on clearing requirement determination under Section 2(h) of the *Commodity Exchange Act*	Jun 11, 2026
FinCEN	Comments due on whistleblower incentives & protections	Jun 1, 2026
	Comments due on AML & CFT programs	Jun 9, 2026

Effective Rule Compliance Dates

Agency	Requirement	Compliance Date
Joint Agency	Prohibition on the use of reputation risk by regulators	Jun 9, 2026
	Modifications to the CBLR framework	Jul 1, 2026
	Enhanced supplementary leverage ratio, total loss-absorbing capacity, & long-term debt requirements	Dec 1, 2026
OCC	Rescission of OCC guidelines establishing standards for recovery planning	May 1, 2026
	Order preempting the *Illinois Interchange Fee Prohibition Act*	Jun 30, 2026
	National bank non-interest charges & fees	Jun 30, 2026
FDIC	FDIC official signs & advertisement of membership	Apr 1, 2027
NCUA	Simplification of share insurance rules	Dec 1, 2026
CFPB	Amendments to Regulation B ECOA	Jul 21, 2026
	Small business lending under ECOA (Regulation B)	Jun 30, 2026
SEC	Adoption of updated EDGAR filer manual	Apr 16, 2026
	Technical corrections to Regulation NMS Rule 610(e)	May 5, 2026
	Form N-PORT (for funds with $1 billion or greater in net assets) & all N-CEN reporting requirements	Nov 17, 2027
	Form N-PORT reporting requirements for fund groups with less than $1 billion in net assets	May 18, 2028
FinCEN	AML/CFT program & suspicious activity report filing requirements for registered investment advisers & exempt reporting advisers	Jan 1, 2028

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Agencies Without Recent Key Developments

Several key regulators maintained their prior positions for the period, with no new actions to report, including:

- Financial Stability Oversight Committee
- Federal Financial Institutions Examination Council
- Joint Banking Agencies
- Consumer Financial Protection Bureau
- Financial Crimes Enforcement Network
- Financial Stability Board
- Basel Committee on Banking Supervision
- International Organization of Securities Commission

U.S. Financial Services Regulatory Center Recent FORsights™

We're committed to changes and obligations regulators demand, helping you meet business objectives and enhance shareholder value. For more information on our latest work, please see our FORsights below:

Quarterly Insights: Financial Services Q1 2026

Download our Q1 2026 insights featuring major regulatory and supervisory developments.

SEC Allows Broker-Dealers to Use Equities as Collateral

The SEC allows equity collateral under Rule 15c3-3, boosting flexibility with strong controls.

Reframing AML for Digital Finance

FinCEN proposes AML reforms for financial institutions and stablecoin issuers, emphasizing effectiveness.

Forvis Mazars' View: The Revitalization of Bank Mortgage Lending

The FRB signals capital changes to revive bank mortgage lending for community and regional banks.

An Overview of the Modernization of the U.S. Regulatory Capital Framework

A breakdown of proposals on Revised Standardized Approach, Basel III/ERBA, and G-SIB Recalibration.

The OCC Increased the Application Threshold for Heightened Standards

OCC raises heightened standards threshold to $700 billion, easing regulatory burden for smaller banks.

Preliminary Insights on the OCC's Proposed Stablecoin Framework

Preliminary insights on the OCC's proposed stablecoin framework and why it matters today for banks.

FDIC Updates Resolution Planning Expectations for Large IDIs

FDIC updates resolution planning for large banks, refining requirements and filing expectations.

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