FINREG Focus

U.S. Financial Services Regulatory Center Update

August 31, 2026

Executive Summary

1. Office of the Comptroller of the Currency (OCC) and FDIC reshape supervisory standards around material financial risk.
2. FDIC expands reciprocal deposit exclusions under new interim final rule.

Overview of Key Developments

1. A Reset for MRAs & Bank Supervision

What Happened?

On August 27, regulators released a coordinated package of reforms addressing bank examinations, supervisory findings, and enforcement actions. The package has two legally distinct parts: a joint OCC-FDIC final rule establishing a common supervisory framework within the agencies' respective jurisdictions, and OCC-only actions implementing and further refining that framework for OCC-supervised institutions.

Joint OCC-FDIC Final Rule: A New Supervisory Framework

The OCC and FDIC jointly finalized the rule that formally defines "unsafe or unsound practice" for enforcement and supervisory purposes. The rule, first proposed in October 2025, establishes "unsafe and unsound practice" as a practice, act, or failure to act contrary to generally accepted standards of prudent operation and either have materially harmed an institution's financial condition or, if continued, would likely cause material financial harm or present a material risk of loss to the Deposit Insurance Fund (DIF). "Likely" requires more than a speculative or merely possible outcome, although the rule does not set a numerical probability threshold.

Financial harm includes losses or negative effects on capital, asset quality, earnings, liquidity, or sensitivity to market risk. Reputational risk unrelated to financial condition does not qualify. Governance, control, documentation, cybersecurity, technology, and operational weaknesses remain subject to supervisory action when the underlying facts create material financial risk or involve an actual violation of a banking or banking-related law or regulation.

The rule separately defines when a Matter Requiring Attention (MRA) may be issued. An MRA may address conduct that is contrary to prudent operation standards and has caused material financial harm or, under current or reasonably foreseeable conditions, could reasonably be expected to cause such harm or present material risk to the DIF. An MRA may also address an actual violation of a banking or banking-related law or regulation. The forward-looking MRA standard is lower than the "likely" threshold for an unsafe or unsound practice, allowing examiners to act before a matter reaches the enforcement threshold.

The rule also distinguishes among supervisory communications:

- **MRAs** require corrective action and presentation to the board. Failure to remediate an MRA does not, by itself, constitute an unsafe or unsound practice.
- **Supervisory observations** identify weaknesses below the MRA threshold and do not require board presentation, corrective action, an action plan, or examiner tracking of a voluntary response.
- **Other violations** are actual banking or banking-related legal violations for which the agency does not issue an MRA or take enforcement action. Agencies may require correction and any additional action required by law but generally may not impose unrelated remediation.

The agencies must tailor supervisory and enforcement actions to an institution's capital structure, complexity, activities, asset size, and other financial risk-related factors. As risk increases, the materiality threshold decreases, review may become more granular, and expectations for prudent operation and remediation increase. Examiners must use objective facts and sound reasoning and explain the basis for an unsafe-or-unsound finding or MRA.

The rule applies prospectively to OCC- and FDIC-supervised institutions. The new unsafe-or-unsound definition does not apply to institution-affiliated parties, which remain subject to prior standards and procedures.

OCC Implementation Actions

Alongside the joint rule, the OCC announced *Bulletins 2026-41* and *2026-42.* The actions were issued to align with the final rule and provide consistency in policies.

Under *OCC Bulletin 2026-41*, the agency issued revisions to Policies and Procedures Manual (PPM) 5310-3, "Bank Enforcement Actions and Related Matters," and PPM 5400-11, "Matters Requiring Attention," and proposed an additional rule governing violation-based MRAs. These PPMs provide guidance to OCC staff on selecting the enforcement actions best suited to resolve a bank's deficiencies or noncompliance with safety and soundness guidelines.

Enforcement Actions

PPM 5310-3 organizes the OCC's enforcement approach around three principles:

- **Escalation:** The OCC generally will allow a bank to remediate through supervision before initiating or escalating an enforcement action, while retaining authority to take any legally supportable action when circumstances warrant.
- **Tailoring:** The type of action, speed of escalation, and corrective provisions will reflect the bank's financial risk-related factors. Conduct at a large or complex bank may prompt enforcement when the same conduct would not result in the same response at a community bank.
- **Focus:** Actions should include only the corrective provisions needed to address identified deficiencies and use the least degree of intervention reasonably necessary for timely remediation.

The OCC will terminate an enforcement action when a bank achieves "substantial compliance," meaning it has satisfied the action's essential requirements even if minor, isolated items remain incomplete.

The revised manual specifies when the OCC may impose an individual minimum capital ratio (IMCR), including when a bank has a leverage ratio below 8%, specified weak regulatory ratings, potentially misstated capital, or an identified risk expected to reduce its leverage ratio below 8%. Examiners must reassess the IMCR at each follow-up, and maintaining it beyond 18 months requires documented justification and OCC approval.

The OCC also deleted Appendix C, “Actions Against Banks With Persistent Weaknesses.” Adopted in 2023, Appendix C generally applied to banks subject to the OCC’s Heightened Standards and was focused on larger and more complex institutions. It described possible responses to persistent weaknesses, including capital or liquidity requirements, growth or activity restrictions, and, where earlier measures were insufficient, asset reductions, divestitures, operational simplification, or market exits.

Deleting Appendix C removes the prior manual’s standalone framework for banks with persistent weaknesses. It does not withdraw the OCC’s underlying enforcement powers, and the revised enforcement manual preserves the agency’s ability to take any legally supportable action when circumstances warrant.

PPM 5310-3 further clarifies that noncompliance with safety and soundness standards under 12 CFR Part 30 is not, by itself, a violation of law for purposes of the manual or Section 8 enforcement. The underlying conduct may still support action if it independently satisfies another applicable standard.

Matters Requiring Attention

PPM 5400-11 aligns OCC examination procedures with the joint final rule and makes the MRA manual public for the first time. It addresses how examiners draft, communicate, validate, and document MRAs. It also requires findings to satisfy the regulatory standard, reflect financial risk-related tailoring, and rest on objective facts and sound reasoning.

The manual states that the OCC intends, as a matter of supervisory discretion, to reserve violation-based MRAs for substantive violations. It also implements the limits governing supervisory observations and other violations, including restrictions on requiring action plans, tracking voluntary responses, dictating how a bank corrects another violation, or imposing unrelated remediation.

Substantive & Technical Violations Proposal

In addition to revising its enforcement and MRA manuals, the OCC separately issued a notice of proposed rulemaking that would further refine the violation-based component of the MRA framework.

The OCC’s proposal would further refine the joint rule’s violation-based MRA standard. It would replace “actual violation” with “substantive violation,” converting the OCC’s supervisory policy of reserving violation-based MRAs for substantive matters into a binding regulatory limit. It would not change the separate MRA basis involving imprudent conduct and material financial risk.

A violation would be substantive if its nature, duration, frequency, or severity could meaningfully affect the bank or its customers. It would need to satisfy at least one criterion:

- Be systemic or constitute a pattern;
- Have a direct, clear, predictable, and more-than-minimal effect on financial condition;
- Have a more-than-minimal effect on the accuracy of the bank’s books and records;
- Require more-than-minimal restitution or cause more-than-minimal customer harm; or
- Involve insider misconduct or self-dealing.

Meeting a criterion would permit, but not require, an MRA. The OCC could use a less formal mechanism when that approach would effectively stop and correct the violation, and any MRA would remain subject to the agency’s broader tailoring framework.

A technical violation would be one for which the OCC does not take enforcement action or issue an MRA. Examiners could cite the violation and direct correction but could not prescribe the method of correction or require unrelated remediation.

The proposal also distinguishes violations of law from nonconformance with supervisory guidance. Nonconformance with guidelines, including the Interagency Guidelines Establishing Standards for Safety and Soundness, is not a violation of a banking or banking-related law or regulation. The underlying conduct may still warrant supervisory action if it independently satisfies another applicable standard. The proposal remains open for comment and is not yet final.

FDIC Implementation Action

The FDIC simultaneously issued implementation guidance describing how it will incorporate the final rule into its supervisory and examination processes. The agency is updating its Reports of Examination (ROEs), examination manuals, examiner instructions, and supervisory communications to reflect Part 305. The FDIC also announced that it will discontinue the use of Matters Requiring Board Attention (MRBAs) and Supervisory Recommendations (SRs), reviewing existing items for redesignation as MRAs or closure where appropriate. Going forward, MRAs generally will be reserved for matters involving material financial risk, material risk of loss to the DIF, or violations of banking laws and regulations, while supervisory observations remain available for issues that do not rise to the MRA threshold.

Why Does It Matter?

The package draws clearer boundaries among unsafe or unsound practices, MRAs, other violations, technical violations, and informal supervisory observations. Those distinctions affect board reporting, corrective-action requirements, remediation scope, examiner follow-up, and potential escalation.

Banks may see fewer formal findings based solely on process, governance, or documentation gaps that lack a sufficient connection to material financial harm, DIF risk, or a legal violation. The changes do not remove control, operational, cybersecurity, technology, or customer issues from supervision when their consequences meet an applicable standard.

The reforms also are not uniform relief. Larger, more complex, or higher-risk institutions may face lower materiality thresholds, more granular review, and stronger remediation expectations. The same conduct may therefore produce different supervisory responses at institutions with different risk profiles.

For OCC-supervised institutions, the revised manuals provide greater visibility into escalation, remediation, and enforcement-action termination. Under the substantial-compliance standard, the OCC will terminate an enforcement action once the bank has satisfied its essential requirements, even if minor, isolated items remain incomplete.

The removal of Appendix C eliminates a dedicated framework for banks with persistent weaknesses but does not withdraw the OCC's broader enforcement tools. The proposal's substantive-violation test also gives compliance and risk teams more specific factors for evaluating whether a violation may support an MRA or be handled through a less formal process.

The Bottom Line:

The joint rule establishes the OCC-FDIC supervisory framework, while the OCC's revised manuals and proposed rule, together with the FDIC's examination guidance and manual updates, describe how each agency intends to implement the new approach. The package narrows and clarifies the use of formal supervisory tools without eliminating the agencies' ability to require correction or escalate material concerns.

2. FDIC Expands Reciprocal Deposit Flexibility

What Happened?

On August 27, 2026, the FDIC Board approved an interim final rule to immediately implement Section 902 of the *21st Century ROAD to Housing Act*, which amended the statutory framework governing reciprocal deposits.

The rule increases the amount of reciprocal deposits that an eligible “agent institution” may exclude from treatment as brokered deposits through a new tiered liability-based calculation, with a maximum exclusion of up to $30 billion. The rule also broadens the definition of an “agent institution” and provides additional clarification regarding the operation of the reciprocal deposit framework. Comments on the interim final rule are due 30 days after publication in the **Federal Register**.

Reciprocal deposit programs allow institutions to offer customers expanded FDIC insurance coverage by distributing deposits across a network of participating institutions while maintaining the customer relationship at the originating bank. The treatment of those deposits under brokered deposit rules has long been an important consideration for institutions that use reciprocal deposits as part of their funding strategy.

Why Does It Matter?

For banks that use reciprocal deposits as part of their funding strategy, the rule changes an important element of how those balances are treated for regulatory purposes. Because brokered deposit classification can affect liquidity management, supervisory treatment, and overall funding flexibility, changes to reciprocal deposit exclusions can have meaningful balance-sheet implications for participating institutions.

The new framework uses a tiered liability-based calculation to increase the amount of reciprocal deposits eligible for exclusion from brokered deposit treatment, potentially providing qualifying institutions with additional flexibility in managing deposit balances. Institutions participating in reciprocal deposit programs may benefit from expanded capacity to accept reciprocal deposits without having a larger portion of those balances treated as brokered deposits.

The broadened definition of an “agent institution” could also expand the number of institutions eligible to utilize the framework. While the impact will vary by institution, the rule may be particularly relevant for banks that use relationship-based deposits and seek to offer customers expanded deposit insurance coverage while retaining those customer relationships. Operational, supervisory, and strategic implications will depend on how individual institutions participate in reciprocal deposit programs and how the revised statutory thresholds apply to their balance sheets.

The Bottom Line:

The FDIC’s interim final rule implements congressional changes that expand the amount of reciprocal deposits eligible for exclusion from brokered deposit treatment and broaden the definition of an agent institution. Financial institutions that participate in reciprocal deposit programs should assess the potential implications for funding, liquidity management, and deposit-gathering strategies.

Preparing Financial Services for the Quantum Era

On August 24, 2026, the U.S. Department of the Treasury announced the launch of the Quantum-Readiness Task Force, a public-private initiative designed to help the U.S. financial sector prepare for the transition to quantum-safe technology. The initiative follows Executive Order 14412, which established guidelines to strengthen cryptographic protections for sensitive data, critical infrastructure, and the broader digital economy.

Treasury's announcement is less about quantum computing itself and more about preparing the financial sector for a future transition to post-quantum cryptography (PQC). Treasury has warned that future quantum computing capabilities could eventually undermine many of the cryptographic tools used to protect financial data, payment systems, digital identities, and market infrastructure.

Rather than creating new regulatory requirements, the Task Force establishes a forum for government agencies, financial institutions, financial market infrastructures, and technology providers to coordinate on quantum-related cyber risks. Treasury's focus on cryptographic agility, third-party dependencies, operational resilience, and digital assets suggests institutions should begin evaluating where cryptography is embedded across their environments and how future technology transitions could affect critical systems and vendors.

For financial institutions, the message is straightforward: post-quantum cryptography is increasingly becoming a strategic resilience and cybersecurity consideration, and Treasury expects the industry to begin preparing for that transition before quantum-related risks become operational realities.

SEC Advances Proposal on Crypto Custody Framework

The SEC has not yet released a public proposal, but public records indicate the agency submitted an item titled “Amendments to the Custody Rules” to the White House Office of Information and Regulatory Affairs (OIRA) for review on August 25. Based on the publicly available description, the proposal is intended to clarify how investment advisers and investment companies can custody crypto assets and modernize certain custody requirements the SEC considers outdated.

Because the proposal text has not been published, key details remain unknown, including what specific custody requirements would change, which entities could qualify as custodians, and how the framework would apply to different digital asset custody models.

If eventually proposed and adopted, the rule could provide greater regulatory clarity for investment advisers and funds seeking to hold digital assets on behalf of clients. However, until the SEC releases the proposal for public comment, it can be viewed as an early-stage rulemaking initiative rather than a finalized or defined regulatory development.

Recent Key Regulatory Developments

Joint Banking Agency

Date	Topic	Summary
8/25	Federal Agencies Rescind 2022 Special Purpose Credit Program Statement	Federal regulators rescinded the 2022 interagency statement on Special Purpose Credit Programs, citing amendments to Regulation B and clarifying that lenders should not rely on the withdrawn guidance when designing or administering SPCPs.
8/27	OCC and FDIC Finalize Rule to Focus Supervision on Material Financial Risks	The OCC and FDIC issued a final rule establishing uniform standards for defining unsafe or unsound practices and issuing Matters Requiring Attention (MRAs), aiming to focus supervision and enforcement on material financial risks and significant legal and regulatory compliance issues.

U.S. Department of the Treasury

Date	Topic	Summary
8/24	Treasury Announces Quantum-Readiness Task Force	Treasury established a task force to help banks and other financial institutions prepare for future cyberthreats posed by quantum computing by assessing encryption vulnerabilities, third-party dependencies, and transition planning across the financial sector.

Office of the Comptroller of the Currency

Date	Topic	Summary
8/27	OCC Updates Enforcement and MRA Framework	The OCC revised its enforcement and Matters Requiring Attention (MRA) policies, released its MRA manual publicly for the first time, and proposed a framework distinguishing substantive and technical legal violations to focus supervision on material financial risks and significant compliance concerns.

Federal Deposit Insurance Corporation

Date	Topic	Summary
8/25	FDIC Reports Improved Banking Industry Performance in Q2 2026	The FDIC reported that the banking industry strengthened in Q2 2026, with net income increasing 12% from the prior quarter alongside continued loan and deposit growth, improved asset quality, and a higher Deposit Insurance Fund reserve ratio.
8/27	FDIC Expands Reciprocal Deposit Exclusions From Brokered Deposit Treatment	The FDIC approved an interim final rule implementing Section 902 of the *21st Century ROAD to Housing Act,* increasing the amount of reciprocal deposits that qualifying institutions may exclude from brokered deposit treatment, broadening the definition of an agent institution, and clarifying the reciprocal deposit framework.

Recent Key Regulatory Developments

Securities & Exchange Commission

Date	Topic	Summary
8/25	FINRA Proposes Easing Reconciliation Requirements for Certain Alternative Investments	FINRA proposed amending Rule 4522 to exempt certain uncertificated investments in unregistered funds from monthly position statement requirements and permit quarterly reconciliations instead, aiming to reduce compliance burdens while maintaining investor protections.
8/26	FINRA Expands TRACE Reporting Requirements for Affiliate Transactions	FINRA amended its TRACE reporting rules to require certain same-day, same-price principal transactions between affiliated member firms to be identified using the affiliate-principal transaction indicator, expanding a requirement previously limited to non-member affiliates and aiming to improve transparency in the dissemination of TRACE transaction data.

Financial Accounting Standards Board

Date	Topic	Summary
8/26	FASB Adds Debt Modification Project and Advances Codification Improvements	FASB added a technical agenda project to update accounting and disclosure requirements for debt modifications and exchanges and directed staff to move forward with a Codification Improvements proposal that omits a previously contemplated Topic 326 credit loss amendment.

Deadlines & Compliance Calendar

Agency	Requirement	Due Date
Joint Agency	Comments due on CRA regulations	Oct 13, 2026
FRB	Comments due on AML/CFT Programs	Sep 8, 2026
	Comments due on regulatory modernization and relief for Mutual Holding Companies	Oct 5, 2026
	Comments due on loans to executive officers, directors, and principal shareholders	Oct 5, 2026
OCC	Comments due on OCC rules regarding the availability of OCC information	Oct 5, 2026
FDIC	Comments due on assessments thresholds, rate schedules, and adjustments	Aug 31, 2026
	Comments due on resolution submission required for covered depository institutions proposal	Aug 31, 2026
	Comments due on reporting forms and instructions for FDIC-supervised PPSIs	Sep 18, 2026
	Comments due on extension of credit to insiders	Oct 5, 2026
	Comments due on disclosure of information	Oct 5, 2026
SEC	Comments due on regulatory agenda	Sep 14, 2026
	Comments due on electronic delivery of information under the federal securities laws	Sep 21, 2026
	Comments due on Regulation Crypto Assets	Oct 20, 2026
CFTC	Comments due on SEF order book requirement for permitted transactions	Sep 25, 2026
	Comments due on conflicts and affiliations	Oct 5, 2026
	Comments due on CPO/CTA and small commodity pool exemptions	Oct 5, 2026
	Comments due on listing of compute derivatives contracts	Oct 20, 2026
SEC/CFTC	Comments due on request for comment on implementation of margining and cross-margining of securities and derivatives	Aug 31, 2026

Effective Rule Compliance Dates

Agency	Requirement	Compliance Date
Joint Agency	Rescission of interagency statement on special purpose credit programs	Aug 25, 2026
	Financial Data Transparency Act joint data standards	Oct 1, 2026
FDIC	FDIC official signs and advertisement of membership	Apr 1, 2027
NCUA	Simplification of share insurance rules	Dec 1, 2026
	Limits on loans to other credit unions	Sep 8, 2026
	Rescission - Interpretive Ruling and Policy Statement 08-2	Sep 8, 2026
	Purchase, sale, and pledge of eligible obligations	Sep 8, 2026
	Third-party servicing of indirect vehicle loans	Sep 8, 2026
	Rescission - Interpretive Ruling and Policy Statement 06-1	Sep 8, 2026
	Suretyship and guaranty; Segregated deposit and collateral	Sep 8, 2026
	Termination of excess insurance coverage	Sep 8, 2026
	Rescission - Interpretive Ruling and Policy Statement 10-1	Sep 8, 2026
	Requirements for insurance	Sep 8, 2026
	Corporate Credit Unions	Sep 8, 2026
	Credit Union service contracts	Sep 8, 2026
SEC	Form N-PORT and N-CEN reporting requirements[1]	Nov 17, 2027
		May 18, 2028
CFTC	Margin requirements for uncleared swaps for swap dealers and major swap participants	Aug 17, 2026
FinCEN	AML/CFT program and suspicious activity report filing requirements for registered investment advisers and exempt reporting advisers	Jan 1, 2028
	Beneficial ownership information reporting requirement revisions	Aug 14, 2026

1. Compliance dates based on asset size: November 17, 2027 for fund groups with net assets of $1 billion or more; and May 18, 2028 for fund groups with less than $1 billion in net assets as of the end of their most recent fiscal year-end.

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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:

- Legislative
- Financial Stability Oversight Council
- Federal Financial Institutions Examination Council
- Federal Reserve Board
- National Credit Union Administration
- Consumer Financial Protection Bureau
- Commodity Futures Trading Commission
- Financial Crimes Enforcement Network
- Financial Stability Board
- Basel Committee on Banking Supervision
- International Organization of Securities Commissions

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 Q2 2026]

Download our Q2 2026 insights featuring major regulatory and supervisory developments.

[FFIEC Proposes Sweeping Overhaul of CAMELS Framework]

Discover proposed CAMELS overhaul linking ratings to material risk and transparency.

[Agencies Propose CRA Revisions for Lending Accountability]

OCC and FDIC propose targeted CRA updates for lending and community development grants.

[Reframing AML for Digital Finance]

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

[SEC Implementation of Daily Rule 15c3-3 Reserve Computations]

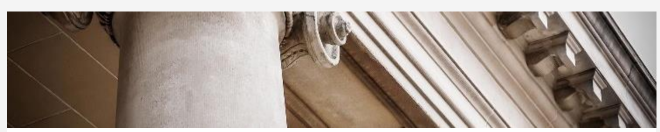
Explore how daily reserve computations affect sweep activity and customer credits.

[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.

[Implications of the Updated Interagency MRM Guidance]

Understand evolving guidance in model risk management.



[SEC Allows Broker-Dealers to Use Equities as Collateral]

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

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