FORsights™

Banking Regulatory Update – March 2025

Forvis Mazars has summarized recent Washington, D.C. activity to help keep you up to speed on this quickly evolving regulatory environment. This edition includes a reminder on 1Q FASB interim segment reporting requirements, updates on the FDIC's rescinded rules and proposals, National Credit Union Administration (NCUA) exam priorities, Office of the Comptroller of the Currency (OCC) changes on reputational risk and cyber guidance, and the SEC's future rulemaking framework. This is current through events of March 25, 2025.

1Q FASB Interim Segment Reporting Reminder

Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, included changes to interim reporting requirements that are effective for public entities in the first quarter of 2025.

Resource: FASB Mandates New Segment Details for Public Companies in 2024

Previous Interim Requirements	Existing Annual Disclosures to Be Reported in Interim Periods	Significant Expense Principle & Other Items
Revenue from external customers and intersegment revenue	Interest revenue and expense[1, 3]	Significant expense categories and amounts
A reconciliation of the total of the segment's measure of profit or loss to an entity's consolidated net income before income taxes and discontinued operations	Depreciation, depletion, and amortizations[1]	Other segment items, including qualitative description of the composition
A measure of segment profit or loss	Unusual items[1]	
Total assets for which there has been a material change from the amount disclosed in the last annual report	Equity in the income of equity method investees[2]	
A description of changes in the segments or the segment profit or loss measurement since the last annual report	Other significant noncash items[1]	
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[1]If required for the company on an annual basis. [2]If the information is included in a segment's asset and reviewed by the chief operating decision maker (CODM). [3]Interest revenue should be reported separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest and the CODM relies primarily on net interest revenue to assess the segment's performance and make decisions about segment resource allocations. In that situation, an entity may report that segment's net interest and disclose that it has done so.

Banking Regulators

FDIC Updates

- **Regulation.**
  - In March, the FDIC rescinded a 2024 agency statement on bank merger policy and delayed implementation of the FDIC signage rule.
  - On March 3, 2025, the FDIC withdrew several proposals:
    - Deposit broker definition
    - Corporate governance (banks with $10 billion or more in assets)

  - Incentive compensation
  - Notice requirements for share acquisition of a depository institution holding company
- **New FDIC applications**. GM Financial Bank, Stellantis Bank USA, and Ford Credit Bank recently applied for deposit insurance from the FDIC and to the Utah Department of Financial Institutions for an industrial-loan charter that allows companies to own both commercial firms and banks. GM previously pulled its application in June 2024 since it was unlikely to get approval under the previous administration in Washington. If approved, the firms could take in stable, low-cost deposits to finance their auto finance businesses lending to car buyers and dealers.

NCUA Exam Priorities

The NCUA recently released its exam priorities for 2025, which are consistent with 2024:

- Credit risk
- Balance sheet management
- Cybersecurity
- Consumer financial protection

OCC Updates

- **Reputational Risk**. On March 20, 2025, the OCC advised its examiners that reputational risk is no longer part of exam procedures, and all such references have been removed from the Comptroller's Handbook and guidance issuances. FDIC acting Chair Travis Hill indicated that he is working on similar rulemaking.[1]
- **Crypto**. On March 7, 2025, acting Comptroller of the Currency Rodney Hood rescinded one of the OCC's previous interpretive letters providing guidance on crypto asset activities and announced that several additional letters were under review.

Rescinded:

- Interpretive Letter 1179 (November 18, 2021). Under this guidance, a bank had to notify its supervisor before engaging in crypto asset activities and wait for a written non-objection letter before proceeding.

Under review:

- Interpretive Letter 1170 (July 22, 2020). Allowed national banks to provide crypto asset custody services in limited situations.
- Interpretive Letter 1172 (September 21, 2020). Allowed national banks to hold dollar deposits serving as reserves backing stablecoins in certain circumstances.

[1]"FDIC to eliminate reputational risk from bank exams," politicopro.com, March 24, 2025.

- Interpretive Letter 1174 (January 4, 2021). Allowed banks to operate on a distributed ledger to verify customer payments and engage in certain stablecoin activities to facilitate payment transactions on a distributed ledger.

SEC Rulemaking Process

SEC nominee Paul Atkins' approval hearings are tentatively scheduled for March 27, 2025. In a recent speech, acting Chair Mark Uyeda has highlighted a new blueprint for SEC rulemaking:

- Restore historical comment periods to at least 60 days or even 90 days for complex rule changes.
- Where appropriate, consider re-proposing rule changes when significant changes to a proposal are contemplated or re-opening the comment period for changes in market conditions or where significant time has passed since the original proposal.
- Develop a more robust feedback process including roundtables, requests for information, concept releases, and advice notices of proposed rulemaking.
- Improve assessment of a rule's economic impacts, especially for small entities.
- Update the small entity definition.

Treasury Update

On March 25, 2025, President Donald Trump signed an executive order, "Modernizing Payments To and From America's Bank Account," updating the U.S. Department of the Treasury's payment system. Highlights include: .

- Eliminate paper checks for all disbursements, including benefits, vendor payments, and tax refunds effective September 20, 2025.
- All executive departments and agencies must transition to modern, electronic funds transfer (EFT) methods like direct deposit, debit/credit card payments, digital wallets, and real-time transfers.
- Payments to the federal government, such as fees, fines, loans, and taxes, must also be processed electronically where permissible under existing law.
- Phaseout of physical lockbox services.
- Exceptions will be made for people without banking or electronic payment access, certain emergency payments, certain law enforcement activities, and other special cases.
- This executive order does not establish a Central Bank Digital Currency (CBDC).

Federal Staffing

Two separate court rulings in Maryland and California ordered the restatement of thousands of federal workers, who will most likely be put on paid administrative leave while the court cases move forward.

U.S. District Judge William Alsup in San Francisco issued a preliminary injunction noting that probationary employees should be immediately reinstated at the departments of Defense, Veterans Affairs, Agriculture, Energy, Interior, and Treasury.[2] His ruling noted that the layoffs circumvented established procedures and were unlawfully directed by the U.S. Office of Personnel Management as "any terminations of agencies' employees must be made by the agencies themselves."

U.S. District Judge James Bredar directed the administration to reinstate tens of thousands of federal workers. The Baltimore case was brought by 18 agencies, including the Consumer Financial Protection Bureau, FDIC, and Small Business Administration.[3] The ruling noted that the mass layoffs violated due process requirements and ordered the agencies to reinstate those employees on March 17 for a period of 14 days.

In response to Trump's executive order, "Return to In-Person Work," the SEC has notified union staffers to return to office beginning April 1, 2025.[4] The union representing SEC employees will challenge the mandate as it violates a 2023 collective bargaining agreement that allows for remote work but has advised its members to plan to comply with the order while litigation is underway. Bloomberg reported that 10% of the SEC's 5,000 employees have taken a $50,000 offer to resign or retire in 30 days.[5] The SEC also plans to terminate regional office leases in Los Angeles and Philadelphia.

Industry & Economic Trends

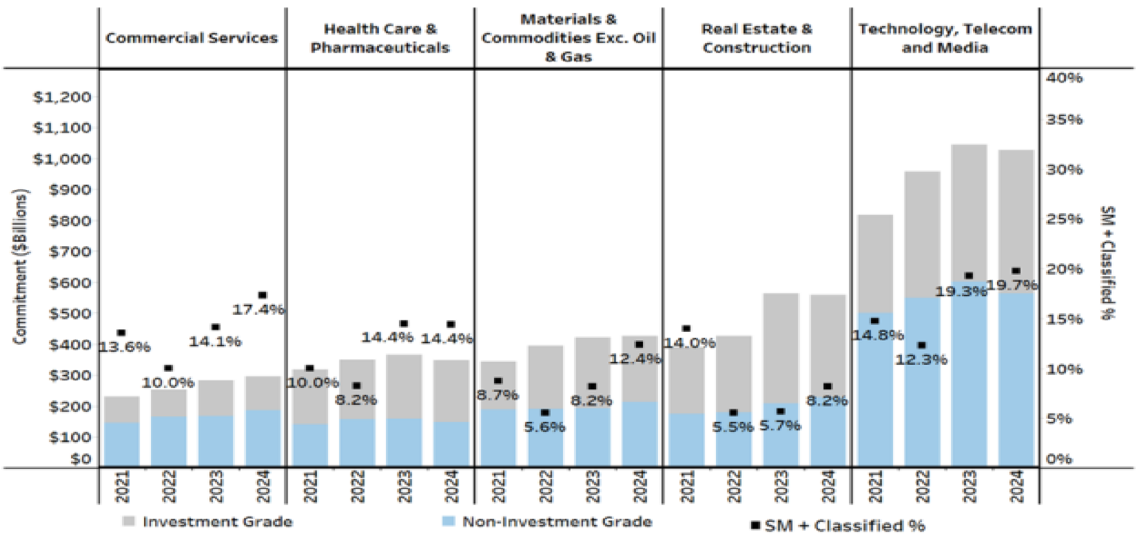
Shared Credit Report

On March 10, 2025, the Federal Reserve, FDIC, and OCC issued the 2024 Shared National Credit report, which covers large syndicated loan commitments originated on or before June 2024. Highlights include:

- The percentage of non-pass loans (special mention or classified) increased from 8.9% of total commitments to 9.1% year over year.
- U.S. banks hold 45% of all shared national credit (SNC) commitments but only 23% of non-pass loans. Nearly half of total SNC commitments are leveraged, and leveraged loans comprise 79% of non-pass loans. Telecom and media comprise one-third of the total special mention and classified commitments.
- The overall level of special mention and classified commitments in the commercial real estate sector remains slightly below the portfolio average, the office sub-sector continues to show a decline in credit quality with above portfolio average special mention and classified volumes.

[2] "Federal judge orders reinstatement of probationary employees targeted by mass firings at most agencies," federalnewsnetwork.com, March 13, 2025.
[3] "Trump poised to launch new round of layoffs despite setbacks in court," reuters.com, March 14, 2025.
[4] "SEC calls staff back to office in April," politicopro.com, February 26, 2025.
[5] "SEC to Lose About 500 Staffers to Buyout, Resignation Offers," bloomberg.com, March 21, 2025.

Risk Composition and Trends within 202 Focus Industries



Source: 2024 Shared National Credit Program Report

"The magnitude and direction of risk in 2025 is likely to be impacted by borrowers' ability to manage interest expense, real estate conditions, and other macroeconomic factors. These elements will continue to impact the financial performance and repayment capacity of borrowers in a wide variety of industries, especially highly leveraged borrowers that may lack the financial flexibility to respond to external challenges."

Conclusion

In the heavily regulated banking industry, leaders face more challenges than ever, from managing shareholder and regulatory expectations to pursuing digital innovation. Forvis Mazars can help your financial institution tackle issues inherent to the industry, including market growth, internal control threats, industry consolidation, and compliance. We have the experience in financial services that you can trust. Combine our focus on **Unmatched Client Experience®** with the resources of a global firm and you will find that Forvis Mazars is the trusted advisor your institution needs. Serving you is our passion and privilege.

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