

FINREG Focus

U.S. Financial Services Regulatory Center Update

June 8, 2026

Executive Summary

This update's headline items:

1. Patch management and -party risk management demand continued focus.
2. Financial Crimes Enforcement Network (FinCEN) issues joint advisory targeting illicit finance risks linked to unauthorized employment.

Overview of Key Developments

1. Patch Management & Third-Party Risk Management

What Happened?

Verizon's 2026 Data Breach Investigations Report¹ shows that attackers are now more likely to gain access by exploiting known but unpatched software flaws than by using stolen credentials, a first in the report's long history. For financial institutions, this reflects growing exposure not only from internal patching delays but also from weaknesses across vendor and third-party environments.

Why Does It Matter?

Recent breach data points to a shift in how organizations are being compromised, with clear implications for management oversight and supervisory focus. Core cyber hygiene, particularly patch management and third-party oversight, remains critical to reducing risk.

- **Unpatched systems are now the primary entry point:** Exploitation of known vulnerabilities accounted for about 31% of breaches, overtaking credential theft at 13% as the leading access method.
- **Financial services are directly affected:** In banks and insurers, vulnerability exploitation drove a larger share of breaches, 22%, than stolen credentials at 15%, highlighting persistent exposure in complex technology environments.
- **Vendor risk continues to grow:** Nearly half of all breaches involved a third party, and roughly one-third of financial services breaches traced back to vendors, reinforcing the importance of supply chain security.
- **Governance takeaway:** Boards, management, and risk leaders should expect increased emphasis on timely patching, visibility into exploitable vulnerabilities, and stronger accountability for vendor security practices.

The Bottom Line:

While this threat isn't new, now is the time to combat complacency on patching discipline, to gain real-time visibility into vulnerabilities, and to hold vendors to the same security standards as your own environment.

[1. 2026 Data Breach Investigations Report \(DBIR\), verizon.com, May 18, 2026.](#)

2. FinCEN Joint Advisory

What Happened?

On June 5, 2026, the U.S. Department of the Treasury's (Treasury) FinCEN [issued a joint advisory](#), collectively with the FDIC, Office of the Comptroller of the Currency (OCC), National Credit Union Administration (NCUA), and in coordination with the Internal Revenue Service (IRS), addressing risks to the U.S. financial system tied to the unlawful employment of non-work-authorized individuals. The advisory describes how complicit employers and labor brokers use the financial system to conceal unauthorized employment through identity theft, payroll tax fraud, and off-the-books wage payments.

FinCEN's analysis indicates that financial institutions reported over \$2.5 billion in suspicious activity linked to payroll tax fraud schemes in 2025. Treasury notes that these schemes often rely on banks and other financial institutions to move funds. The advisory was issued pursuant to Executive Order 14406, "Restoring Integrity to America's Financial System," signed May 19, 2026, which directed Treasury to highlight these risks and provide typologies to financial institutions.

Why Does It Matter?

FinCEN links unlawful employment schemes to broader illicit finance risks. According to the advisory, access to financial services and unlawfully obtained wages can be leveraged to facilitate the financing of transnational criminal organizations, including those involved in drug and human trafficking and other illicit activity in the United States. The advisory also highlights market and fiscal impacts, including depressed wages, unfair competition, and loss of federal and state tax revenue.

For financial institutions, the advisory signals heightened regulatory attention. FinCEN provides detailed typologies and 18 red flags, such as structuring around payroll cycles, use of shell companies and unregistered money services businesses, misuse of Individual Taxpayer Identification Numbers (ITINs), and indicators of identity theft. The advisory also encourages banks to consider the use of an ITIN as a relevant risk factor when applying customer due diligence, particularly when an ITIN is presented in lieu of a Social Security number or valid employment authorization document. FinCEN expects institutions to incorporate these risks into existing anti-money laundering and countering the financing of terrorism (AML/CFT) programs and to file Suspicious Activity Reports (SAR), referencing the advisory's designated key term, "FINANCIALINTEGRITY-2026-A002," in SAR field 2 and the narrative.

The Bottom Line:

FinCEN has elevated unlawful employment-related activity as a priority illicit finance risk, aligning the advisory with its broader AML/CFT priorities. Banks and other covered institutions should review their transaction monitoring, customer due diligence, and SAR processes to ensure the advisory's typologies and 18 red flag indicators are addressed and that escalation and reporting practices are aligned with regulatory expectations. Further, institutions with significant exposure to the agriculture, construction, domestic service, or hospitality sectors should pay particular attention to the advisory's labor-broker and shell-company typologies.

Recent Key Regulatory Developments

Legislation/Executive Action

Date	Topic	Summary
6/02	White House Issues Executive Order to Promote Artificial Intelligence (AI) Innovation and Strengthen Cybersecurity	The executive order directs federal agencies to collaborate with industry to accelerate AI innovation while enhancing cyber defenses, protecting critical systems, and safeguarding U.S. technological leadership.

Joint Banking Agency

Date	Topic	Summary
6/02	Agencies Remove Additional References to Reputation Risk in Bank Supervision	Banking agencies announced further steps to eliminate references to “reputation risk” from supervisory materials and guidance, continuing a broader effort to refocus supervision on measurable risks.

Federal Reserve Board

Date	Topic	Summary
6/03	2026 Supervision and Regulation Report Highlights Regulatory, Supervisory, and M&A Developments	Federal Reserve Board reports that the U.S. banking system remains strong, with robust capital and liquidity and solid profitability, outlines recent regulatory policy measures and enhancements to its supervisory process, and provides details on bank applications and mergers and acquisitions (M&A) activity.

Office of the Comptroller of the Currency

Date	Topic	Summary
6/01	OCC Releases Community Reinvestment Act (CRA) Performance Evaluations	OCC released the results of its CRA performance evaluations for national banks, federal savings associations, and insured federal branches of foreign banks completed in May 2026.
6/04	OCC Comptroller Jonathan Gould Testifies on Agency Priorities and Activities	Gould outlined a shift toward risk-based supervision, support for responsible innovation including stablecoins, increased bank formation, and opposition to “debanking” practices that restrict lawful access to financial services.

Federal Deposit Insurance Corporation

Date	Topic	Summary
6/02	FDIC Ombudsman Highlights Role in Resolving Supervisory Concerns in 2025 Annual Report	FDIC’s Office of the Ombudsman published its 2025 annual report describing how it facilitated communication between banks and the agency, helped resolve supervisory concerns, and supported improvements to examination processes through stakeholder engagement and feedback mechanisms.
6/02	FDIC Issues Technical Corrections to Brokered Deposits and Interest Rate Restrictions Rule	FDIC’s correcting amendments make technical and conforming corrections to its 2021 final rule, fixing drafting errors, restoring omitted text, updating cross-references, and aligning terminology without changing underlying policy.
6/05	FDIC Issues List of Banks Examined for CRA Compliance	FDIC released its results of state non-member banks evaluated for CRA compliance.

Recent Key Regulatory Developments

Securities & Exchange Commission

Date	Topic	Summary
6/01	FINRA Releases 2026 Industry Snapshot	FINRA's 2026 Industry Snapshot shows continued growth in registered representatives alongside ongoing consolidation among firms and record levels of equity and options trading, reflecting a securities industry evolving in structure and investor behavior.
6/02	SEC Releases Draft Strategic Plan Emphasizing Innovation, Enforcement Reset, and Operational Modernization	The SEC's draft plan, open for public comment, outlines a shift toward supporting capital formation and innovation, refocusing enforcement on clear legal violations, and upgrading internal technology and operations while reaffirming its core mission to protect investors and maintain fair markets.
6/03	SEC Proposes Rescinding Climate-Related Disclosure Rules	The SEC's proposed rule would eliminate prior requirements for companies to disclose climate-related information in filings, citing concerns about statutory authority, excessive costs, and misalignment with a materiality-based disclosure framework.

Commodity Futures Trading Commission

Date	Topic	Summary
6/01	CFTC Enhances Product Self-Certification Process to Reduce Duplication and Improve Efficiency	The CFTC's release introduces upgrades to its filing system allowing exchanges to submit a single consolidated set of documents for multiple related products, streamlining reviews and reducing administrative burden.
6/01	NFA Proposes Amendments to Rule 2-52 Guidance on Member Questionnaire Requirements	The National Futures Association (NFA) proposes amendments to Interpretive Notice 9082 clarifying NFA member obligations for completing and updating the Member Questionnaire, reinforcing its role in ongoing supervisory oversight.
6/01	NFA Proposes Amendments to Branch Office Interpretive Notice	The proposal would update Interpretive Notice 9002 to clarify branch office registration requirements, including how firms must identify, report, and manage branch locations and personnel, reinforcing definitions and compliance expectations under NFA registration rules.

Financial Crimes Enforcement Network

Date	Topic	Summary
6/05	FinCEN Issues Joint Advisory Targeting Illicit Finance Risks Linked to Unauthorized Employment	FinCEN, together with the U.S. federal banking regulators, warn banks to strengthen monitoring and reporting for fraud and illicit finance tied to the unlawful employment of non-work-authorized individuals, citing risks that range from payroll tax evasion to links with transnational criminal activity.

Financial Accounting Standards Board

Date	Topic	Summary
6/03	FASB Moves Toward Accounting Standards Update (ASU) Proposal on Indexation for Debt and Equity	FASB made tentative decisions on the Indexation-Debt and Equity project, including an acceptable variables approach with illustrative examples, treatment of down-round features, and disclosure and transition provisions. Additionally, directing its staff to begin drafting a proposed ASU for a future Board vote.

Recent Key Regulatory Developments

Financial Stability Board

Date	Topic	Summary
6/01	FSB Flags Elevated Global Financial Risks and Emerging Vulnerabilities From Geopolitics and AI	FSB highlighted elevated underlying risks such as high asset valuations, sovereign debt, and private credit growth, while warning that new factors including geopolitical tensions and advanced AI models could amplify market volatility, cyber risk, and the potential for multiple simultaneous shocks to threaten financial stability.

Basel Committee on Banking Supervision

Date	Topic	Summary
6/02	BCBS Highlights Rising Information and Communication Technology (ICT) Risks and Key Practices to Strengthen Banks' Operational Resilience	Basel Committee's June 2026 report finds that non-malicious ICT failures remain a major operational risk for banks, driven by issues like change management gaps and -party dependencies, and emphasizes the importance of robust governance, testing, incident management, and -party oversight to improve resilience.

International Organization of Securities Commissions

Date	Topic	Summary
6/01	IOSCO Publishes Final Report Strengthening Valuation Standards for Investment Funds	IOSCO's <i>Recommendations on Valuing Collective Investment Schemes (CIS)</i> Final Report sets updated global recommendations to improve the consistency, transparency, and reliability of valuation practices for collective investment schemes, particularly amid growth in less liquid assets and retail participation.

Deadlines & Compliance Calendar

Agency	Requirement	Due Date
FFIEC	Comments due on revisions to the Uniform Financial Institutions Rating System (UFIRS)	Aug 17, 2026
	Comments due on AML & CFT Programs	Jun 9, 2026
Joint Agency	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
	Comments due on amendments to Regulation J (governing FedNow service)	Jun 9, 2026
	Comments due on G-SIB surcharge proposal	Jun 18, 2026
FRB	Comments due on revisions to the Federal Reserve policy on payment system risk & the guidelines for account and services requests	Jul 27, 2026
	Comments due on Regulation A: extensions of credit by Federal Reserve banks	Jul 27, 2026
	Comments due on Regulation D: reserve requirements of depository institutions	Jul 27, 2026
FDIC	Comments due on FDIC implementation of GENIUS Act	Jun 9, 2026
	Comments due on BSA & sanction compliance standards for FDIC supervised PPSIs	Aug 4, 2026
	Comments due on chartering & field of membership	Jun 8, 2026
	Comments due on bank conversion & mergers	Jun 22, 2026
NCUA	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
	Comments on proposal for implementation of the GENIUS Act	Jul 17, 2026

Deadlines & Compliance Calendar

Agency	Requirement	Due Date
SEC	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
	Comments due on proposed amendments to streamline filer statuses	Jul 20, 2026
	Comments on registered offering reform	Jul 27, 2026
	Comments on rescission of climate-related disclosure rules	Aug 3, 2026
CFTC	Comments due on clearing requirement determination under Section 2(h) of the <i>Commodity Exchange Act</i>	Jun 11, 2026
FinCEN	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
	Preemption determination on state interest-on-escrow laws	Jun 18, 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) - Disparate Impact	Jul 21, 2026
	Small Business Lending Under Regulation B - Section 1071	Jun 30, 2026
SEC	Technical corrections to Regulation NMS Rule 610(e)	May 5, 2026
	Rescission of policy regarding denials in settlements of enforcement actions	May 21, 2026
	Form N-PORT & N-CEN reporting requirements¹	Nov 17, 2027 May 18, 2028
FinCEN	AML/CFT program & suspicious activity report filing requirements for registered investment advisers & exempt reporting advisers	Jan 1, 2028

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.

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
- Federal Reserve Board
- National Credit Union Administration
- Consumer Financial Protection Bureau



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.



[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.



[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.



[FFIEC Proposes Sweeping Overhaul of CAMELS Framework](#)

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



[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.

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