

## FORsights™

### Regulatory Update From Washington: Banks

**President Donald Trump's second term has resulted in numerous updates from Washington, D.C. Forvis Mazars has summarized recent activity from the Federal Reserve, the FDIC, and the SEC on key banking industry issues, including links to our library of easy-to-read FORsights for a deeper dive on these updates. This update is current through events of February 12, 2025.**

The impact on federal agency staffing levels and morale is still unclear from the announced [hiring freeze](#), return to work [executive order](#), the U.S. Office of Personnel Management's (OPM) Deferred Resignation Program (DRP), and plans to shrink the current civilian workforce of [2.3 million employees](#).

On February 12, 2025, a judge lifted the pause on the DRP, noting that the unions that filed suit did not have standing to sue under the *Administrative Procedure Act* and that the U.S. District Court lacked jurisdiction (union suits should first go through the Federal Services Labor-Management Relation Statutes).<sup>1</sup> The ruling did not opine on the buyout's legality or prevent future legal challenges. Several media sources noted that roughly 75,000 employees<sup>2</sup> had accepted the deal before [OPM](#) closed the program at 7 p.m. Eastern time on February 12, 2025. Despite this court ruling, there is still great uncertainty related to government agency staffing.

## I. Federal Banking Agencies

### A. Federal Reserve (Fed)

The Dodd-Frank Act in 2010 created the requirement that the president designate a vice chair for supervision to develop policy recommendations. That role is currently filled by Michael Barr, who has announced he would step down on February 28, 2025, 18 months before the end of his term (he will retain his role as a Fed governor). Barr's pre-emptive resignation leaves unanswered legal questions on the Fed's independence on bank regulation (versus enforcement) and the president's ability to remove senior Fed officials without cause. Fed Governor Michelle Bowman is a front runner to replace Barr since she was appointed to the Fed in Trump's first term in November 2018.

### Consumer Financial Protection Bureau (CFPB)

The CFPB was created by Congress in 2011 as an independent agency within the Fed system and has supervisory authority over multiple financial institutions.

Despite recent comments voicing support for some priorities favored by Trump (debanking/canceling customer accounts and caps on credit card fees and interest rates), Director Rohit Chopra was fired on February 1, 2025.<sup>3,4</sup> A February 3, 2025 [press release](#) announced Secretary of the Treasury Scott Bessent as CFPB's acting director. Per the New York Post, he halted "virtually all pending activities at the CFPB, including investigations, rulemaking, litigation, and public communications." Russell Vought, recently confirmed as the director of the Office of

<sup>1</sup><https://storage.courtlistener.com/recap/gov.uscourts.mad.280398/gov.uscourts.mad.280398.66.0.pdf>.

<sup>2</sup>NBC News: White House says about 75K federal workers accepted 'deferred resignation' offer," yahoo.com, February 12, 2025.

<sup>3</sup>A 2020 U.S. Supreme Court decision allowed the president the power to fire the CFPB director without cause.

<sup>4</sup>"Trump fires consumer bureau director Rohit Chopra: report," nypost.com, February 1, 2025.

## FORsights

Management and Budget, also was named as the CFPB's acting director on February 7, 2025. In an X post on February 8, 2025, Vought announced the CFPB would not draw its unappropriated funding. News reports note that Vought issued internal directives to cease all supervision and examination activity, pause enforcement actions, and close CFPB offices for a week.<sup>5</sup> The National Treasury Employees Union has filed a legal challenge that the shutdown violated requirements in the Dodd-Frank Act.<sup>6</sup> Challenges on CFBP's funding were already underway and may take longer to resolve. A May 2024 U.S. Supreme Court decision (7-to-2 vote) upheld the constitutionality of the CFPB's funding under the Constitution's Appropriations Clause.<sup>7</sup>

Bank lobby groups have long raised concerns about Rule 1071, which requires covered financial institutions to collect and report data on applications for credit for small businesses, including those owned by women or minorities.<sup>8</sup> Given the new administration's directives on diversity, inclusion, and equity issues, relief may be coming shortly.

**Financial institutions should continue to comply with all applicable laws and regulations. Requirements enforced by the CFPB also may be enforced by other governmental authorities, including state regulators.**

## Interest Rates

The Fed left the federal funds rate unchanged at its January 2025 meeting and is signaling a cautious path forward for further rate reductions. Highlights from meeting notes include:

- The U.S. economy remained strong with solid growth in economic activity and a labor force near full employment.
- Core inflation remains elevated.
- Personal consumption rose robustly in the fourth quarter.
- The labor market has stabilized.
- Global supply chains continue to be susceptible to disruptions.

## Bank Lending Practices

The Fed recently released its quarterly [Senior Loan Officer Opinion on Bank Lending Practices](#), which covered the fourth quarter of 2024 and a 2025 outlook. Highlights include:

- Commercial and Industrial (C&I) lending. Respondents reported tighter lending standards for C&I loans to firms of all sizes. This included higher premiums, interest rate floors, and tighter collateralization requirements. Banks reported stronger C&I loan demand from large and middle-market firms, with flat

<sup>5</sup>"Trump administration orders consumer protection agency to stop work, closes building," apnews.com, February 9, 2025.

<sup>6</sup><https://www.nteu.org/-/media/Files/nteu/docs/public/cfpb/CFPBDismanle.pdf>.

<sup>7</sup>"Supreme Court Affirms Constitutionality of CFPB Funding," ncsf.org, May 22, 2024.

<sup>8</sup><https://www.icba.org/docs/default-source/icba/advocacy-documents/testimony/icba-testimony-for-make-community-banking-great-again-hearing.pdf>.

## FORsights

demand from small firms. Reasons cited for increased demand included plant or equipment investment, increased inventory financing, accounts receivables, and mergers and acquisitions.

- Commercial real estate (CRE) lending. Tighter lending standards for CRE loans are resulting in flat demand.
- Consumer lending. There was weaker demand for residential real estate loans. Banks have tightened lending standards for credit card loans, but left standards unchanged for auto loans and home equity lines of credit.
- For 2025, banks are expecting business loan demand and quality to increase while consumer loan demand will decrease or remain flat.

### Community Reinvestment Act (CRA)

The CRA was enacted in 1977 and encourages financial institutions to help meet the needs of the communities they serve, including low- and moderate-income neighborhoods. The Fed, the FDIC, and the Office of the Comptroller of the Currency jointly oversee the CRA. In October 2023, the CRA was substantially overhauled. In [recent remarks](#), Fed Governor Michelle Bowman doubled down on previous dissatisfaction of applying the same CRA requirements on banks with assets of \$2 billion to \$2 trillion. She highlighted her preference for appropriately tailored regulations and noted that one-size-fits-all regulation “can pose a serious threat to a bank’s viability.”

#### Resources:

[CRA Final Rule Recently Published](#)

[Illinois Community Reinvestment Act – What Credit Unions Need to Know](#)

## B. FDIC

The FDIC is an independent agency, and its board of directors manages operations, including hiring and firing. The president appoints three of the five board members with Senate approval. Although not covered by the OPM, the FDIC rescinded job offers to 200 new examiners and implemented a hiring freeze. The FDIC was already short staffed because of a “[toxic workplace culture](#).” Several postmortems of the 2023 bank failures cited the lack of experienced FDIC examiners as a contributing factor to missing early indicators of subsequent bank collapses.

Travis Hill’s [announcement](#) as the FDIC acting chair was well received by bank lobby groups. His priorities include a review of regulation, “a more transparent approach to fintech and digital assets, expediting merger decisions and withdrawing problematic proposals.”

**Resource:** [Banking on Super Regionals: Resolution Planning NPR – A New Year, A New Resolution Plan](#)

## II. SEC

Based on previous administration transitions, nominee Paul Atkins’ approval as SEC chair could happen as early as March or April. His previous time at the SEC, first as a staffer in 1990s and then as a commissioner from 2002–2008, offers several insights to his approach to regulation and enforcement.

## FORsights

In a [speech](#) to the American Institute of CPAs (AICPA) in December 2005, Atkins stated, “It is inappropriate for regulators to take enforcement action over reasonable differences of opinion about the application of GAAP. Even if a sanction is “light,” the mere existence of an enforcement action is significant. We must acknowledge the heavy personal toll an enforcement investigation takes on the subjects of the action.” This may be indicative of his reaction to criticism by some during the last administration on the SEC regulating through enforcement rather than rule making.

Both current Republican-appointed Commissioners Mark Uyeda (acting chair) and Hester Peirce have worked with Atkins during his previous SEC stints, which could make for quick regulatory change once confirmed. This is likely to include more focus on capital formation and less focus on societal issues (see details of recent SEC actions regarding the climate change disclosures below). The semiannual publication of the SEC’s regulatory agenda in 2Q 2025 is likely to see updates on the accredited investor definition, regulation D reforms, and 144a private placement holding periods.

**Resource:** [SEC Regulatory Outlook 2025 – Registrants](#)

## A. Climate Disclosures

### Federal Level

In January, the FDIC, Federal Reserve, and U.S. Treasury all pulled out of the Network of Central Banks and Supervisors for Greening the Financial System, which was founded in 2017 as part of the 2015 Paris climate treaty. Acting SEC Chair Uyeda previously signaled that the stayed climate disclosure rule was not likely to move forward. On February 11, 2025, Commissioner [Uyeda](#) exercised his right as acting chair and halted the agency lawyers from defending existing legal challenges on the climate disclosure rule in the Eighth Circuit court, directing the SEC staff to notify the court that the commission was re-evaluating its position on its statutory authority to have promulgated that rule under the previous administration and requesting it not to schedule arguments on the currently stayed rule at this time.

The SEC can still bring enforcement actions based on existing disclosure rules in Regulation S-K and S-X.

**Resource:** [Updated SEC Expectations on Climate Disclosures](#)

### California

The June 2024 overturn of the Chevron decision ushered in new considerations for federal agency standard setters. Agencies like the SEC must now have clear scope and authority laid out in congressional legislation for rulemaking to withstand legal challenges based on the overturn of Chevron. The *Clean Air Act of 1970* specifically granted California the right to set its own emission standards, which could be stricter than federal standards. The California Air Resources Board (CARB) must apply for waivers from the U.S. Environmental Protection Agency (EPA) for stricter state regulations, which have traditionally been approved. There are a few specific circumstances when the EPA can deny these waivers, including if it decides California is being “arbitrary and capricious,” or that

## FORsights

California does not actually need the waiver to address “compelling and extraordinary conditions.”<sup>9</sup> Trump challenged California’s special status during his first term, but the multiple legal challenges were not resolved before President Joe Biden reversed those efforts in 2022.<sup>10</sup> Energy groups challenged the 2022 overturn on the basis that the EPA exceed its powers under the *Clean Air Act*, and these cases are still winding through the appeal process.<sup>11</sup>

In October 2023, California Senate Bill (SB) 253 and SB 261 were signed into law requiring companies that do business in California to prepare certain climate disclosures. A legal suit was filed in January 2024 challenging these rules. On September 27, 2024, [SB 219](#) was signed into law clarifying certain aspects of the previous climate bills and extending the adoption date to July 1, 2025. In November 2024, the U.S. District Court for the Central District of California denied a summary judgment but allows for a discovery period, which could allow plaintiffs to refile the suit.<sup>12</sup>

California Gov. Gavin Newsom’s climate position may be softening. Even before the presidential inauguration, California withdrew new waiver requests related to diesel trucks and locomotives. On January 23, 2025, the Trump administration asked the Supreme Court to put on hold planned arguments on several pending cases, including California’s emission standards.<sup>13</sup>

For now, continue implementation efforts for California’s climate rules.

### Resources:

[California Doubles Down on GHG & Climate Reporting Requirements](#)

[California’s Climate Rules: Implementation Lessons Learned](#) (webinar)

## B. Crypto

Forvis Mazars previously reported the rollback of the SEC’s Office of the Chief Accountant’s Staff Accounting Bulletin 121, which provided interpretive guidance on disclosure to be provided by financial institutions custodial crypto assets. On February 4, 2025, the New York Times reported that the SEC also downsized its Division of Enforcement’s Crypto Assets and Cyber Unit.<sup>14</sup> On the same day, Commissioner Peirce released comments on the SEC’s path forward:

- “Please be patient. The Task Force wants to get to a good place, but we need to do so in an orderly, practical, and legally defensible way.”
- “The Task Force is working to help create a regulatory framework that both achieves the SEC’s important regulatory objectives—including protecting investors—and preserves the industry’s ability to offer products

<sup>9</sup>“California’s fight over tailpipe emissions, explained,” [calmatters.org](#), updated June 23, 2020.

<sup>10</sup>“California abandons diesel truck ban and 3 other clean-air rules before Trump is sworn in,” [calmatters.org](#), January 14, 2025.

<sup>11</sup>“Trump administration asks Supreme Court to pause cases as it reconsiders policy,” [reuters.com](#), January 24, 2025.

<sup>12</sup>“Litigation Over California’s Climate Disclosure Laws Continue to Discovery Phase,” [globalelr.com](#), November 18, 2024.

<sup>13</sup>“Trump administration asks Supreme Court to pause cases as it reconsiders policy,” [reuters.com](#), January 24, 2025.

<sup>14</sup>“S.E.C. Moves to Scale Back Its Crypto Enforcement Efforts,” [nytimes.com](#), February 4, 2025.

## FORsights

and services. This framework will be within the SEC’s statutory authority, and we will work with other regulators operating within their own statutory authorities.”

- “Congress also has given us exemptive authority, and the Commission will use it, as appropriate.
- “The Commission will use its enforcement tools when necessary to pursue noncompliance.”

**Resource:** [SEC Rescinds SAB 121 – What’s Next for Crypto?](#)

### C. PCAOB

The *Sarbanes-Oxley Act of 2002* established the PCAOB to oversee the audits of public companies. The SEC provides oversight of the PCAOB, appointing its members and approving its budget and rules. Under Chair Erica Williams, the PCAOB has issued a record number of proposals and finalized guidance and in 2024 imposed the highest amount in its history in fines and penalties. In comments made at the December 2025 AICPA conference, both SEC acting Chair Uyeda and the newly appointed House Financial Services Committee Chair French Hill expressed concerns on recent PCAOB costs and standard setting and signaled that all options were on the table for PCAOB’s future from a new board to consolidation into the SEC. Former SEC Chairs Jay Clayton (2017 to 2020) and Gary Gensler (2021 to January 2025) set a precedent of removing the chair and board members during their tenures.

Nominee Atkins has made his views on the PCAOB’s role clear during his previous SEC tenure. In his [comments](#) to the AICPA in 2005, he stated, “It is clear that Congress considered the SEC’s oversight to be critical, and I am committed to ensuring that we do not shirk this oversight role.” In 2007, Atkins voted against the PCAOB’s budget, noting, “the board’s salaries are disproportionately high.”<sup>15</sup> In 2020, Trump floated the idea of consolidating the PCAOB into the SEC and a bill was proposed—but never moved forward—by the then chair of the House Financial Services Committee.

On February 11, 2025, the PCAOB withdrew two rules it had passed in November 21, 2024 that were submitted to the SEC for approval, [Firm Reporting](#) and [Firm and Engagement Metrics](#).<sup>16</sup>

Forvis Mazars will continue to follow these developments and how they could impact future financial statement audits.

### III. Financial Crimes Enforcement Network (FinCEN)

FinCEN is a bureau of the U.S. Department of the Treasury tasked with safeguarding the financial system from illicit activity, countering money laundering, and promoting national security. The secretary of the Treasury appoints the director of FinCEN. In 2020, the *Corporate Transparency Act* (CTA) was passed establishing uniform reporting requirements for beneficial ownership information (BOI) for entities conducting business in the United States. Reporting requirements were set to be effective on January 1, 2025.

In December, a federal district court order granted a nationwide preliminary injunction to halt CTA enforcement and BOI reporting requirements. The U.S. Department of Justice immediately filed an appeal, and a stay was approved

<sup>15</sup>“Should PCAOB be Consolidated into SEC?” [tax.thomsonreuters.com](#), July 19, 2023.

<sup>16</sup>“In a Win for Audit Firms, PCAOB Withdraws Transparency Rules,” [tax.thomsonreuters.com](#), February 13, 2025.

## FORsights

by the U.S. Supreme Court. The case will return to the U.S. Court of Appeals for oral arguments in March. In the meantime, FinCEN has posted the following on its [website](#):

“In light of a recent federal court order, reporting companies are not currently required to file beneficial ownership information with FinCEN and are not subject to liability if they fail to do so while the order remains in force,” the agency said. “However, reporting companies may continue to voluntarily submit beneficial ownership information reports.”

### Resources:

[Corporate Transparency Act](#)

[AML/CFT/BSA & Fraud Updates to Know](#)

[Strategies for Building a Proactive BSA/AML Compliance Program](#) (webinar)

## 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.

## Contributor

**Anne Coughlan**

Director

[anne.coughlan@us.forvismazars.com](mailto:anne.coughlan@us.forvismazars.com)