FINREG Focus

U.S. Financial Services Regulatory Center Update

September 14, 2026

1. Banking agencies expand eligibility for 18-month examination cycle.

2. Banking agencies seek to refocus third-party risk management (TPRM) on risk and proportionality.

Overview of Key Developments

1. Community Banking: Examination Relief for Well-Rated Institutions

What Happened?

The Federal Reserve Board (FRB), FDIC, and Office of the Comptroller of the Currency (OCC) issued an interim final rule implementing Section 903 of the *21st Century ROAD to Housing Act*, which amended section 10(d) of the *Federal Deposit Insurance Act* to increase the threshold for certain institutions eligible for an extended 18-month examination cycle from $3 billion to $6 billion in total assets. The rule also makes parallel amendments to examination cycle requirements applicable to U.S. branches and agencies of foreign banks.

Apart from the asset threshold, the qualifying criteria remain unchanged. To be eligible for an extended examination cycle, an institution with less than $6 billion in total assets must:

- Have a CAMELS composite rating of 1 or 2;
- Be well-capitalized;
- Not be subject to a formal enforcement proceeding or order from a federal banking agency; and
- Not experienced a change of control during the preceding 12-month period.

In addition, national banks and federal savings associations must also have a CAMELS management component rating of 1 or 2 to qualify.

As required by statute, the agencies determined that applying the eligibility threshold to composite 2-rated institutions is consistent with safety and soundness standards. The interim final rule is effective immediately upon publication in the **Federal Register**, with comments due 30 days after publication.

Why Does It Matter?

The rule expands eligibility for reduced examination frequency across a broader segment of the banking industry and represents a targeted regulatory relief measure for smaller, well-rated institutions.

The agencies estimate that the interim final rule will make approximately 188 additional institutions eligible for the extended examination cycle, comprising 95 supervised by the FDIC, 50 by the OCC, and 43 by the FRB, bringing the total number of institutions that may qualify for an 18-month cycle to approximately 4,016. That figure includes approximately 19 additional U.S. branches and agencies of foreign banks.

For qualifying institutions with assets between $3 billion and $6 billion, the agencies expect cost savings that allow existing staff to redirect resources toward customer-facing and other operational activities that could improve business outcomes.

Importantly, the agencies emphasized that the rule does not reduce supervisory expectations. Supervisors will continue off-site monitoring activities between scheduled examinations to identify emerging risks. In addition, the agencies retain authority to conduct examinations more frequently, or to maintain an institution on a 12-month examination cycle, when it is deemed necessary given an institution's condition or risk profile. A longer examination cycle also means more time for potential issues to accumulate before on-site review, making continuous monitoring, internal audit coverage, and issue self-identification more important.

The Bottom Line:

Institutions in the $3 billion to $6 billion total asset range should confirm eligibility now, and on an ongoing basis, against all four criteria and reset internal examination calendars accordingly. For institutions that are ushered into the extended examination cycle, it is important to note that longer intervals do not mean lighter scrutiny. Supervisory off-site monitoring continues between examinations. In addition, institutions should pair the extended examination cycle with strengthened internal monitoring and self-identification to ensure supervisory readiness is maintained between examinations.

2. Agencies Recast TPRM

What Happened?

The FRB, FDIC, OCC, and National Credit Union Administration (NCUA) jointly issued proposed updates to TPRM guidance that would replace the 2023 Interagency Guidance on TPRM and related supplemental resources.[1] The proposal reflects supervisory experience and stakeholder feedback regarding implementation of the 2023 guidance and is intended to promote a more tailored, risk-based approach to third-party oversight. Comments are due 60 days after publication in the **Federal Register**.

According to the agencies, existing guidance has at times been interpreted too broadly, leading some institutions to apply extensive risk management processes across a wide range of third-party relationships without adequately considering the magnitude and likelihood of the risks involved. The agencies also noted concerns that portions of the current framework have been viewed as overly prescriptive and may have contributed to process-driven approaches that divert attention and resources away from higher-risk relationships.

The proposal places greater emphasis on risk identification and assessment as the foundation of effective TPRM. Rather than focusing primarily on whether an activity is considered “critical,” institutions would be encouraged to assess the specific risks associated with a third-party relationship and tailor oversight practices to those risks, calibrated to the institution’s size, complexity, and risk profile.

[1] Supplemental resources include the July 2024 joint statement on banks' arrangements with third parties to deliver deposit products, the May 2024 Third-Party Risk Management: A Guide for Community Banks, and the OCC's 2002 bulletin on foreign-based third-party service providers.

The guidance is organized around four core components:

1. Risk identification and assessment
2. Risk oversight
3. Residual risk acceptance
4. Governance

The FRB, FDIC, and OCC separately issued the Joint Statement on Community Banks' Engagement with Core Service Providers, addressing community banks' relationships with core service providers. The statement highlights supervisory concerns related to provider transparency, contracting practices, technology resiliency, and market concentration and explains how those factors may influence supervisory and enforcement decisions involving certain core providers.

In addition, the FRB proposed a companion TRPM guide for traditional community banking organizations (TCBOs), defined as banking organizations with less than $30 billion in assets that focus on serving their local communities. The guide is intended to help TCBOs operationalize the principles in the broader interagency proposal, articulating how those high-level principles can be applied in practice and providing risk management considerations on a vendor-by-vendor basis across eight categories: core service providers, information technology infrastructure, cybersecurity, payment processing and digital banking, loan management systems, card issuing and processing, and *Bank Secrecy Act*/anti-money laundering and financial crime platforms, and fraud prevention and detection.

The guide would not be a rule, and institutions would not be required to take action. Notably, the FRB indicates the guide would not be relevant to other institutions given the unique characteristics of TCBOs and is not intended for community banking organizations with more complex business models or third-party relationship profiles. Comments are due 60 days after **Federal Register** publication.

Why Does It Matter?

The agencies are making clear that effective TPRM is not synonymous with exhaustive oversight of every third-party relationship, while continuing to emphasize that institutions remain responsible for risks arising from outsourced activities. Resources are expected to concentrate on relationships posing the greatest operational, financial, compliance, or customer risk, with due diligence, contract negotiation, ongoing monitoring, and governance scaled accordingly.

The trade-off is less obvious than the relief headline suggests. Reducing oversight of a lower-risk relationship is defensible if the risk assessment supporting that decision is sound and documented. Effort moves rather than disappears, and the risk assessment becomes the control examiners test first.

The proposal may be particularly relevant for institutions that rely on fintech partnerships, cloud service providers, core processors, compliance technology providers, and other strategic service providers. The agencies acknowledge that prior guidance may have discouraged certain innovative arrangements by creating the perception that any novel relationship would face heightened scrutiny. In contrast, the proposal emphasizes that institutions are responsible for managing risks, not eliminating them, and that some level of residual risk is unavoidable.

The accompanying joint statement also provides insight into areas of growing supervisory focus. By identifying transparency, disclosure practices, contract terms, deconversion fees, operational resilience, security incidents, and technology investments as factors bearing on supervisory and enforcement decisions, the agencies are directing attention at core providers themselves. At the same time, the agencies reiterate that outsourcing critical functions does not reduce an institution's responsibility to operate in a safe and sound manner and comply with applicable laws and regulations.

Another notable aspect of the proposal is the agencies' emphasis that the guidance does not establish enforceable standards or prescriptive requirements. The agencies indicate that non-compliance with the guidance will not result in supervisory action against a banking organization. However, institutions may still face supervisory criticism or enforcement action if inadequate management of third-party risks results in unsafe or unsound practices, violations of law or regulation, or other material risk issues, which is where third-party enforcement has historically originated.

The non-binding label changes what an examiner cites, not the risks an institution is exposed to. The more consequential shift is the "material financial risk" standard for supervisory action, which raises the threshold at which supervisors intervene.

The Bottom Line:

As the proposal works its way through the supervisory process, the near-term work is comment strategy, more than remediation.

While firms may have several next steps to consider, two steps that are worth taking now are:

1. Inventory the relationships governed by the resources slated for recission to identify where removal could leave a potential control gap, and
2. Map existing tiering against the shift from "criticality" to reasonably assessed risk to identify how much could actually change.

Recent Key Regulatory Developments

Joint Banking Agency

Date	Topic	Summary
9/8	Joint Banking Agencies Clarify Use of Verifiable Digital Credentials (VDCs) Under CIP Rules	Financial Crimes Enforcement Network (FinCEN), FRB, FDIC, NCUA, and OCC issued joint FAQs clarifying that banks and credit unions may use qualifying government-issued VDCs, as documentary or non-documentary methods of identity verification under Customer Identification Program requirements.
9/10	Agencies Expand Community Bank Eligibility for Extended Examination Cycle	Federal banking agencies issued an interim final rule increasing the number of community banks eligible for an 18-month exam cycle.
9/11	Agencies Seek Feedback on New Third-Party Risk Management Framework	The FDIC, FRB, NCUA, and OCC proposed principles-based, TPRM guidance that would rescind and replace existing guidance, emphasizing tailored oversight of third-party relationships.

Financial Crimes Enforcement Network

Date	Topic	Summary
9/9	FinCEN Identifies Emerging Health Care Fraud Patterns in BSA Filings	Analysis of more than 5,700 *Bank Secrecy Act* reports linked approximately $17.5 billion in suspicious activity to potential health care fraud and highlighted typologies that may support financial institutions' detection and reporting efforts.

Financial Accounting Standards Board

Date	Topic	Summary
9/9	FASB Issues Standard to Improve Investment Company Fair Value Reporting	FASB issued ASU 2026-03 requiring investment companies to incorporate contractual sale restrictions into the fair value measurement of certain equity securities and disclose the related discount, addressing stakeholder concerns that existing guidance could overstate reported net asset value.
9/10	FASB Proposes Updates to 2027 SEC Reporting Taxonomy	FASB staff proposed technical and conforming improvements to the 2027 SEC Reporting Taxonomy with comments due to FASB by October 30, 2026.

International Organization of Securities Commissions

Date	Topic	Summary
9/8	International Bodies Publish Cyber Resilience Toolkit for Financial Market Infrastructures	The Committee on Payments and Market Infrastructures (CPMI) and International Organization of Securities Commissions (IOSCO) published a consultative cyber resilience toolkit for financial market infrastructures and a discussion paper on reliance on third-party service providers, with comments due December 1, 2026.

Deadlines & Compliance Calendar

Agency	Requirement	Due Date
Joint Agency	Comments due on CRA regulations	Oct 13, 2026
FRB	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 MRAs in response to violations of laws or regulations	Oct 1, 2026
	Comments due on OCC rules regarding the availability of OCC information	Oct 5, 2026
FDIC	Comments due on reporting forms and instructions for FDIC-supervised PPSIs	Sep 18, 2026
	Comments due on reciprocal deposits	Oct 1, 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
	Comments due on transfer agent rules	Nov 3, 2026
	Comments due on political contributions by certain investment advisors (rescission)	Nov 9, 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
FASB	Comments due on improvements for the 2027 SEC Reporting Taxonomy	Oct 30, 2026
	Comments due on Codification improvements	Nov 19, 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
	Unsafe or unsound practices, matters requiring attention	Nov 2, 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
SEC/CFTC	Form PF reporting requirements	Jul 1, 2027
FinCEN	AML/CFT program and suspicious activity report filing requirements for registered investment advisers and 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:

- Legislative
- Financial Stability Oversight Council
- Federal Financial Institutions Examination Council
- Federal Reserve Board
- Office of the Comptroller of the Currency
- Federal Deposit Insurance Corporation
- National Credit Union Administration
- Consumer Financial Protection Bureau
- Securities & Exchange Commission
- Commodity Futures Trading Commission
- Financial Stability Board

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.

Implications of the Updated Interagency MRM Guidance

Understand evolving guidance in model risk management.

Treasury Clearing Changes Broker-Dealers Should Know

Learn about SIFMA's done-away clearing documents and the impacts on Treasury clearing compliance.

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.

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