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INSIGHT

Bills Affecting Bank Regulators in the 118th Congress

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This insight discusses legislation that has been reported or ordered reported by the House Committee on Financial Services and the Senate Committee on Banking, Housing, and Urban Affairs that would alter the authority or congressional oversight of the federal bank regulators—the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve (Fed). It does not include bills that would affect the Fed's non-regulatory roles, such as bills to prohibit it from issuing a central bank digital currency, nor does it include all bills that require the regulators to issue studies or reports. For legislation that would affect banks, see CRS Insight IN12376, *Banking Legislation in the 118th Congress*.

House Financial Services Committee

H.R. 1109 as reported would amend the Bank Service Company Act (12 U.S.C. 1861 et seq.) to require federal bank regulators to coordinate with state regulators on the regulation and supervision of bank service companies—third parties that banks partner with to facilitate banking operations. For more, see CRS In Focus IF10935, *Technology Service Providers for Banks*.

H.R. 3556 as amended would require the bank regulators and Treasury Department to provide documentation to the committees of jurisdiction when resolving a failing bank under the systemic risk exception to least cost resolution or when creating an emergency bank debt guarantee program. (The systemic risk exception was used in the resolution of Silicon Valley Bank and Signature Bank in 2023. The emergency bank debt guarantee authority has not been used since enactment in 2010.) It would require the Fed to provide the committees confidential information and records on its lending and open market transactions. It would require the Fed's vice chair for supervision to have experience in banking and would provide the other Fed governors with more input on bank regulation vis-à-vis the vice chair. It would also require the bank regulators to report to—and testify before—the committees regarding aggregated supervision data and provide a confidential report identifying specific banks with less than satisfactory ratings and active enforcement actions. Currently, little supervisory data are available to the public or Congress. For more information, see CRS In Focus IF12454, *Bank Failures and Congressional Oversight*.

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Under current law, use of the systemic risk exception discussed above triggers a review by the Government Accountability Office. **H.R. 4116** as amended would broaden the scope of this review to include actions by the bank or its regulator that contributed to its failure. It would also require the regulator to provide Congress a report on its supervision of the failed bank. (Regulators voluntarily provided similar reports in 2023.) For more information, see CRS In Focus IF12378, *Bank Failures: The FDIC's Systemic Risk Exception*.

H.R. 4823 as reported would require the bank regulators (among others) to report to Congress before implementing a non-binding recommendation by the Financial Stability Oversight Council. It would also require the bank regulators to:

- provide the committees of jurisdiction with notice, testimony, and economic analysis before proposing or finalizing a major rule recommended by international organizations such as the Financial Stability Board, the Basel Committee, and the Central Banks and Supervisors Network for Greening the Financial System;
- report to the committees on regulators' interactions with those organizations annually; and
- provide the committees information about those organizations before meeting or engaging with them on climate-related financial risk.

Recently, the bank regulators issued a proposed rule implementing Basel Committee recommendations (known as the Basel Endgame) and guidance on climate-risk management. The proposed rule would also eliminate the position of Fed vice chair for supervision, who sets the Fed's bank regulatory agenda and oversees bank supervision. The position was created in 2010 by the Dodd-Frank Act (P.L. 111-203). For more information, see CRS In Focus IF10129, *Introduction to Financial Services: International Supervision*.

H.R. 7437 as amended would require federal bank regulators, among others, to conduct assessments of their technological vulnerabilities and submit reports to Congress on their technology systems used for supervision. For more information, see CRS In Focus IF10559, *Cybersecurity: A Primer*.

H.R. 7440 as amended would require certain federal agencies, including the federal bank regulators, to establish a "Financial Services Innovation Office" and a liaison committee to facilitate the operation of this entity, which would be tasked with accepting petitions for regulatory safe harbor from enforcement actions for certain financial innovations. For more information, see CRS Report R46333, *Fintech: Overview of Financial Regulators and Recent Policy Approaches*.

Following certain bank failures, the inspector general of the failed bank's primary regulator must conduct a "material loss review" (MLR). **H.R. 8337** as amended would broaden the scope of the MLR to include an evaluation of whether the FDIC's resolution could have avoided a material loss. It would also require the Fed to conduct a review of the effectiveness of the discount window, develop a remediation plan of any deficiencies identified in the review, and issue a report to Congress. (Other provisions of the bill are discussed in CRS In Focus IF12678, *Bank Resilience and Regulatory Improvement Act (H.R. 8337)*.) For more information, see CRS In Focus IF12655, *Federal Reserve's Discount Window: Policy Issues*.

Senate Banking, Housing, and Urban Affairs Committee

S. 2190 as reported would constrain when a bank regulator can approve an acquisition of a failed institution that would result in an institution controlling more than 10% of banking system deposits. For a failed bank with over $10 billion in assets, the bill would also require regulators to issue a public report that reviews their supervision of the bank and would expand the scope of the MLR. The bill would also codify and expand the scope of the Fed's semi-annual Supervision and Regulation report. (Other provisions of the bill are discussed in CRS Insight IN12376, *Banking Legislation in the 118th Congress*.) For more information, see CRS In Focus IF10055, *Bank Failures and the FDIC*.

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