



Our Take

PwC's Financial Services Risk & Regulation Update

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1 Regulators testify; Fed releases Supervision and Regulation Report

What happened? On June 4th, [Fed Vice Chair for Supervision Michelle Bowman](#), [OCC Comptroller Jonathan Gould](#) and [FDIC Chair Travis Hill](#) testified before the House Financial Services Committee at its latest [prudential regulator oversight hearing](#). Prior to the hearing, the Fed released its [June 2026 Supervision and Regulation Report](#).

What was discussed at the hearing? Key themes included:

- **Supervisory reform implementation.** Bowman said the Fed's review of outstanding supervisory matters has resulted in some being closed or downgraded where they were not aligned with its updated supervisory principles. Gould described the OCC's parallel focus on improving examiner judgment and consistency, including moving away from arbitrary checklist-based supervision.
- **Capital reform.** Regarding the March capital reform proposals, Bowman said the agencies have begun reviewing comments and indicated that mortgage origination and mortgage servicing are areas where the Fed is assessing whether capital requirements discourage traditional bank participation. In response to questions on whether the proposal will be capital neutral, she said the goal is to align capital to risk rather than reach a predetermined aggregate capital outcome.
- **Tailoring.** Bowman said she has asked Fed staff to analyze regulatory thresholds and identify potential recommendations, including whether thresholds should be increased or indexed. Hill supported increasing thresholds and indexing them to inflation.
- **Merger analysis.** Asked how market concentration analysis in merger reviews should account for nonbank providers, Gould said deposits can be a poor proxy for market power and that the OCC would continue working with DOJ so merger analysis reflects the broader range of firms banks compete with. Bowman agreed that it would be helpful for the Fed to update its competitive analysis to account for how different types of entities are weighted.
- **Innovation, AI and technology risk.** On AI-enabled cyber risk, Bowman said the Fed is working with service providers and the banking industry to understand potential impacts from advanced vulnerability-detection tools and that cyber exams are continuing. Gould added that supervisors are focused on technology service providers, particularly because smaller and regional banks may depend on common third-party software and infrastructure.
- **Digital assets and stablecoins.** On digital assets, Bowman described the Fed's work with other agencies on GENIUS Act implementation and the need for clearer expectations around permissible bank activities. Gould noted that the OCC has moved away from prior guidance that discouraged certain crypto-related activities and is instead emphasizing that banks may engage in permissible activities when conducted safely and soundly.
- **Private credit and nonbank exposures.** Bowman confirmed that the Fed has sent information requests to large banks regarding private credit exposures with a focus on how such bank exposures are underwritten, collateralized, concentrated and interconnected with the banking system.

What did the Fed supervision and regulation report say? Key incremental points include:

- **Updated supervisory issue inventory.** The report shows that open supervisory matters declined from mid-year to year-end 2025: Those for community banks fell from 1,359 to 1,007, regional banks from 274 to 154, U.S. global systemically important banks from 230 to 121, other large U.S. banks from 297 to 162, and large foreign banking organizations from 302 to 174.
- **Horizontal reviews.** The report provides new detail on the Fed’s approach to large bank horizontal reviews, saying they will be more targeted, more risk-based, and less duplicative of work performed by other regulators. It also states that firms should not be criticized for not adopting peer “best practices.”
- **RFBO portfolio.** The report introduces a combined Regional and Foreign Banking Organization (RFBO) portfolio covering domestic regional banks with \$10 - \$100 billion in assets and FBOs with less than \$100 billion in U.S. assets (which were previously combined with all FBOs).
- **Updated supervisory priorities:** Bolded items are new or more explicit compared with the December 2025 report.

	Capital and Credit	Liquidity	Other
Community and regional banks (CBO & RBO)	<ul style="list-style-type: none"> • High-risk credit concentrations and credit risk management • Adequacy of allowances for credit losses • Loan underwriting and collateral management practices 	<ul style="list-style-type: none"> • Firms with higher reliance on noncore funding sources • Liquidity funding planning 	<ul style="list-style-type: none"> • IT and cyber risk
Large financial institutions (LFI)	<ul style="list-style-type: none"> • Consumer and commercial credit, including lending to nonbank financial institutions • Interest rate risk • Market and counterparty credit risk • Monitoring of financial positions 	<ul style="list-style-type: none"> • Internal liquidity stress testing, including prime services and intraday reserve methodologies • Inter-affiliate funding flows • Monitoring of liquidity positions 	<ul style="list-style-type: none"> • Operational resilience, including cybersecurity • Technology change risk management and controls • Recovery planning for U.S. G-SIBs and resolution planning for large financial institutions



Our Take

Supervisory reform starts to show results

The report and hearing confirm that the agencies’ supervisory reform agenda is now translating into exam execution, issue classification and supervisory resource allocation. The most direct evidence is in the falling open finding numbers across all categories of banks — a trend that is likely to continue as the agencies proceed with examiner training and consistency efforts discussed in the hearing. At the same time, the report and hearing delivered new insight into specific target areas within the overall shift in focus on material financial risk. There were more updates to the LFI supervisory priorities than are typically seen across subsequent reports, and the new references to nonbank lending, monitoring of financial positions, prime services, intraday reserve methodologies, inter-affiliate funding flows and liquidity position monitoring point to closer scrutiny of how risk can move quickly across trading, funding and affiliate structures under stress.

Mortgage remains an important capital reform test case

More broadly, the hearing and report show the rulemaking agenda continuing to advance across capital, stablecoins, ratings, community bank tailoring, and applications and merger review. In the discussion of

the capital reform proposals, Bowman's comments on potential changes to the risk treatment of mortgages comments were an indication that the agencies are still considering if the final rule should go further to improve the economics of bank residential mortgage origination and servicing. Banks are likely to keep pressing for additional changes to residential mortgage risk weights, mortgage servicing rights treatment, private mortgage insurance recognition, cash-flow-dependent mortgage exposures and mortgage-related operational risk charges. It is an open question whether the final rule will move far enough to change business decisions, not just regulatory calculations. Capital recalibration may improve the case for holding mortgages and retaining servicing, but a more durable return of mortgage activity to banks would likely require progress on the other frictions that drove the post-crisis retreat: servicing complexity, compliance and enforcement risk, technology investment, and operating cost. For more, see [Reopening the door to bank mortgage lending](#).

2 CFTC issues prediction markets proposal

What happened? On June 10th, the CFTC issued a [proposal](#) that would establish a framework for determining when an events contract on a prediction market is contrary to the public interest – due to promoting unethical conduct or susceptibility to market manipulation – which would result in such contracts violating the Commodity Exchange Act (CEA).

What does the framework contain? Under the proposal, the Commission would first determine whether an events contract involves terrorism, assassination, war, gaming, or unlawful conduct (the “enumerated activities”). It would then determine within 90 days whether the contract violates the public interest on a case-by-case basis. The proposal contains a list of factors to be considered as part of this determination, including (1) whether the events contract would serve the public interest, such as by providing price discovery or promoting innovation; (2) whether the contract threatens market integrity or is susceptible to market manipulation, such as events with outcomes determined by an individual or small group; and (3) whether the events contract has self-regulatory capacity to address threats to the public interest. It also explains that for contracts involving “gaming,” games of random chance are likely to be contrary to the public interest while games that are impacted by the participants’ skill – such as sports – are likely to be permitted.

What's next? Comments on the proposal are due 45 days following publication in the Federal Register. The proposal follows a March 2026 [Advance Notice of Proposed Rulemaking](#) (ANPR) containing a number of areas in addition to the public interest determination, including consumer protection considerations, margin requirements, dispute resolution, and whether retail and institutional traders should be subject to different rules. The proposal notes that additional rulemaking may arise from the ANPR.



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Regulatory certainty is still far away

While the proposal provides the CFTC's current thinking around permissibility of events contracts, its view is not necessarily the last word considering the significant amount of litigation and controversy surrounding this issue. The most highly contested area has been sports-related contracts, with at least ten states having filed suit against prediction markets platforms arguing that they (1) circumvent consumer protection, licensing, and responsible gaming requirements embedded in state law and/or (2) fall under the jurisdiction of state gaming regulators rather than the CFTC. The outcomes of these challenges and potential future litigation could meaningfully diverge from the CFTC's framework, especially considering recent legal

changes clarifying that courts – not regulatory agencies – ultimately determine interpretations of statutes such as the CEA.

What should prediction market platforms do now?

Prediction market platforms should expect the self-certification process to become more substantively demanding for contracts involving enumerated activities. The 90-day review process gives the Commission clearer authority to scrutinize certifications, and firms will need product governance documentation will need to support that scrutiny. Specific actions to consider include:

- **Review contracts against the CFTC’s proposed framework** to determine whether they raise any of the red flags that could lead to de-listing.
- **Prepare for potential de-listing.** While the Commission has not released details around expectations associated with de-listing contracts, platforms will likely need a system in place to halt trading, unwind existing contracts (including treatment of open positions and margin), and provide customers with notice and dispute resolution. They will also need to review contracts to determine whether cancellation terms reflect potential CFTC de-listing.
- **Build a league engagement and integrity playbook for sports contracts.** This includes aligning with relevant league integrity standards and considering insider participant concepts and threats to market integrity (e.g., whether one athlete could determine the result of the contract) as part of listing standards.
- **Prepare certification packages as evidence-backed compliance filings,** not pro forma submissions. The 90-day process is designed to enable substantive Commission review, so participants should build a clear factual and legal record from the outside.
- **Engage during the comment period** to shape how the public interest factors are defined and weighted.

For more, please see our recent publications on [prediction markets](#) and [market surveillance](#).

3 FDIC Chairman Hill speaks on resolution

What happened? On June 9th, FDIC Chairman Travis Hill delivered [remarks](#) on potential changes to the FDIC’s resolution framework, deposit insurance assessments, and related rules.

What did Hill say? He previewed a number of policy changes, including:

- **IDI resolution planning rule.** Hill reiterated that the FDIC is working on a proposal to significantly narrow the insured depository institution (IDI) resolution planning rule. Rather than requiring lengthy narratives built on hypothetical failure scenarios, the revised rule would focus on the operational information needed to execute a sale or other orderly resolution.
- **Large bank deposit insurance assessments and readiness incentives.** He said the FDIC expects to propose raising and indexing the current \$10 billion threshold for the large bank scorecard, which is the risk-based formula used to determine deposit insurance assessments for larger banks, and reducing assessment rates across the board. Hill also said the FDIC is working on broader modernization of the large bank scorecard, which has not been materially updated since 2011, and that this would likely come after the assessment-rate and threshold proposals.

He also previewed a new **resolution readiness adjustment** that could allow large bank-scorecard institutions to pay less to the FDIC in the form of assessments if the bank “(1) demonstrates its ability to populate a virtual data room (VDR) in a short period of time *and/or* (2) provides the FDIC with temporary access to the bank’s third-party service provider(s) *and/or* internal system(s) to enable the FDIC to build IT infrastructure to quickly access data in the event of failure”

- **Small-bank deposit insurance assessments.** For banks subject to the small bank scorecard, Hill said the FDIC expects to reduce assessment rates by a full two basis points. He tied the reduction to progress in rebuilding the Deposit Insurance Fund while still continuing toward the FDIC’s long-term reserve ratio target.
- **Deposit recordkeeping requirements.** He described a potential replacement of Part 370, the FDIC rule requiring banks with more than two million deposit accounts, to maintain systems capable of calculating insured and uninsured amounts by account. The alternative would be a modified version of section 360.9, an older, simpler FDIC rule. The revised approach would preserve standardized depositor records while relieving banks of the obligation to build and maintain independent deposit insurance computation systems.
- **Qualified financial contract (QFC) recordkeeping.** Hill said the FDIC is considering changes to its QFC recordkeeping rule, which covers derivatives, repos and similar contracts at certain troubled banks. The revised rule would require a narrower set of information that is more useful for FDIC decision-making to be readily produceable. The FDIC may rely on transaction data already reported to other agency repositories.
- **Resolution execution and failed-bank bidding.** With a target of improving the bank resolution process, he previewed several changes including broadening the pool of financial advisors for failed-bank sales; revising procurement processes for resolution-related contracts; expanding nonbank participation in failed-bank bidding through shelf charters, alliance bids and asset-pool purchases; and opening the FDIC’s nonbank pre-qualification process to additional firms.
- **Least cost test.** Hill suggested Congress consider a de minimis exception to the FDIC’s least cost requirement, which generally requires the FDIC to choose the failed-bank resolution option that is least costly to the Deposit Insurance Fund.



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Modernizing the resolution toolkit

Hill’s remarks provide further shape to a clear driving principle: less reliance on exhaustive bank-authored planning documents and more emphasis on the infrastructure, data access, market capacity and execution tools needed to resolve a bank quickly. The most novel piece is the proposed resolution readiness adjustment to deposit insurance assessments. For larger banks, the savings could be significant, but the practical impact will depend on how the FDIC spells out the details of the “and/or” structure Hill outlined . Rapid VDR production is an existing resolution-readiness capability, while temporary agency access to third-party providers and/or bank-internal systems would be more sensitive from an information security, customer data, contractual restriction and liability perspective. The question is whether the FDIC treats them as equivalent options, weights them differently, or uses the assessment adjustment to encourage one over the other.

The clearest forms of relief are the expected unconditional assessment rate reductions and potential Part 370 replacement. The Part 370 changes could provide meaningful burden relief by preserving standardized depositor records while reducing the need for banks to maintain separate deposit insurance computation infrastructure. Together, these changes reflect Hill’s broader review of what is truly necessary given the FDIC’s current capabilities and the state of the Deposit Insurance Fund.

The remaining changes Hill describes are more about execution speed and optionality, reflecting lessons learned from the 2023 failures about how technology-enabled deposit mobility can accelerate outflows and compress resolution timelines. More actionable QFC data, faster contracting, a broader advisor bench, expanded nonbank bidder participation, shelf charters, alliance bids and a possible de minimis least-cost exception would give the FDIC more usable information, more market capacity and more execution options before a fast-moving failure constrains the agency’s choices.



On our radar

White House issues EO on AI innovation and security. On June 2nd, the White House issued an [executive order](#) (EO) outlining a strategy to promote advanced artificial intelligence innovation while strengthening cybersecurity and national security safeguards. The EO directs federal agencies to prioritize AI-enabled cyber defense and expand access to cybersecurity tools for federal agencies, state and local authorities and critical infrastructure operators, including community banks. The order also directs Treasury, NSA and CISA to form an AI cybersecurity clearinghouse with industry and critical infrastructure operators to coordinate software vulnerability scanning, validation, remediation and patch distribution. Separately, it calls for a voluntary framework for AI developers to work with the federal government on providing limited pre-release access to covered frontier models, while stating that the framework does not create a mandatory licensing or preclearance regime for AI model development or release.

FSB releases report on AI sound practices. On June 10th, the Financial Stability Board (FSB) released a consultative report on sound practices for AI implementation across a number of areas including governance, risk management, model selection, human oversight, cybersecurity and third-party risk.

White House nominates CFPB Director. On June 10th, the White House [nominated](#) Brian Johnson to be Director of the CFPB. Johnson served as Deputy Director of the agency from December 2017 to March 2020 and has since worked in private industry.

Agencies continue to remove references to reputation risk in interagency guidance. On June 2nd, the Fed, FDIC, and OCC [issued](#) a joint release announcing updates to interagency supervisory documents to eliminate references to reputation risk. The changes are intended to reinforce the shift away from using reputation risk in supervision and to ensure supervisory decisions are based on material financial risks, with additional document [updates](#) expected.

SEC proposes amendments to Regulation NMS. On June 11th, the SEC [proposed](#) rescinding two core Regulation NMS requirements: Rule 611, which prohibits trade-throughs of protected quotations, and Rule 610(e), which restricts locked and crossed markets. The proposal would also rescind related defined terms and make conforming changes to Regulation NMS and other SEC rules. The SEC said the 2005 rules are no longer needed in today's more automated and interconnected equity markets and have contributed to market structure complexity, costs, limited order handling flexibility and trading fragmentation. Comments will be due 60 days after publication in the Federal Register.

OCC issues Interpretive Letter preempting state money transmitter laws. On June 10th, the OCC released an [interpretive letter](#) confirming that a national bank does not have to comply with Iowa's money transmitter licensing rules as these were preempted by federal law, and further, that they did not constitute consumer protection laws and therefore do not require a preemption determination under 12 U.S.C. § 25b.

NCUA publishes interim final rule on preemption of non-interest fees. On June 9th, the NCUA [published](#) in the Federal Register an [interim final rule](#) clarifying that federal credit unions have authority to charge non-interest fees, including interchange fees, and that such authority preempts conflicting state laws. The rule is effective June 30th, 2026.

NYDFS proposes stablecoin regulation framework. On June 9th, the New York Department of Financial Services [issued](#) a proposal for the regulation of state-chartered stablecoin issuers. The proposal largely tracks the GENIUS Act's requirements, including requirements such as 1:1 reserves held in highly liquid assets, monthly reserve disclosures, and maintenance of an operational backstop. Comments are due by June 22nd.



Additional information

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