



Our Take

PwC's Financial Services Risk & Regulation Update

5.15.26 Topics: Semi-annual risk reports | Clarity Act | On our radar

1 OCC and Fed publish semi-annual risk and financial stability reports

What happened? On May 8th, the OCC published its Spring 2026 [Semi-annual Risk Perspective](#) and the Fed published its Financial Stability Report.

What do the reports say? Both reports present a broadly consistent view of a resilient banking system, while identifying a common set of risks across credit, market, liquidity, operational, and emerging areas.

- **Credit risk and private credit.** Both reports continue to characterize overall credit risk as manageable, supported by stable household balance sheets and generally solid corporate credit performance. The OCC newly introduces private credit as a discrete area of focus, pointing to bank exposures, growing concentrations, refinancing risk, and the use of structures such as payment-in-kind arrangements that may obscure underlying credit quality. The Fed similarly expands its discussion of private credit across multiple sections, highlighting weaker debt-servicing capacity among lower-rated borrowers, continued growth in leveraged lending, and rising redemption requests in semi-liquid private credit vehicles. It also notes continued growth in bank lending to nonbank financial institutions, including private credit vehicles.
- **Market risk and asset valuations.** The Fed highlights elevated valuation pressures across equity and real estate markets, with equity valuations remaining high, the equity premium near a 20-year low, and corporate bond spreads still low by historical standards. It also notes that Treasury market liquidity deteriorated during a period of Middle East-related volatility before recovering. The OCC describes market risk as manageable and notes improved net interest margins, lower funding costs, and reduced unrealized losses on securities portfolios. Both reports continue to flag sensitivity to interest rates, with the Fed focused on valuation and market functioning and the OCC focused on bank earnings and balance sheet effects.
- **Liquidity and funding risk.** Both agencies report strong liquidity conditions within the banking system, supported by stable deposits and high levels of liquid assets. The OCC highlights continued deposit stability, growth in non-brokered deposits, and satisfactory contingent liquidity sources. The Fed provides more detailed coverage of funding risks outside the banking sector, noting continued growth in money market funds, moderate levels of uninsured deposits relative to recent peaks, and increasing use of wholesale funding in certain segments. Within the banking sector, the Fed also highlights growth in runnable liabilities and cash-management vehicles that could contribute to funding stress under adverse conditions.
- **Operational risk, including cyber and AI.** Both reports give greater attention to AI in the context of operational and cyber risk. The OCC states that AI is transforming the cyber threat landscape by lowering barriers to entry for threat actors and increasing the speed, scale, and sophistication of attacks, while also noting that AI can support cyber defense, risk management, and heightened monitoring. Separately, the OCC discusses broader use of generative and agentic AI in banking, including productivity and customer experience use cases, human-in-the-loop controls, model risk, explainability, data privacy, data poisoning, cybersecurity threats, and validation challenges. The Fed similarly discusses cyber events as a near-term financial stability risk and notes that large language

models and agentic AI systems could make it easier to detect and exploit vulnerabilities in financial institutions, infrastructures, and third-party providers.

- **Geopolitical and macro-financial risks.** Relative to the last editions of the reports, geopolitical risk receives significantly more attention with both treating it as a key driver that can interact with existing vulnerabilities and amplify stress across markets and institutions. The Fed introduces detailed discussion of the Middle East conflict as a near-term risk, including potential disruptions to energy supply, upward pressure on inflation, and spillovers to financial markets, funding conditions, and global growth. It also links geopolitical developments to market volatility and shifts in investor sentiment. The OCC similarly incorporates geopolitical tensions into its risk assessment, linking them to elevated cyber threats, sanctions exposure, and BSA/AML risks.



Our Take

A more complex and faster-moving environment raises expectations for risk managers

The reports describe a resilient banking system buoyed by strong earnings, capitalization and liquidity conditions that is facing emerging signs of pressure, including rising credit costs, persistent inflation, and weakening consumer sentiment. Against this backdrop, the agencies illustrate a risk environment defined less by any single driver and more by how risks interact and how quickly they can evolve, narrowing the window for both identification and response. Geopolitical risk, for example, can amplify risk levels across a firm, by simultaneously affecting borrower performance through energy prices, increased market volatility, and heightened state-sponsored cyber threats. At the same time, cyber risk most distinctly highlights how AI is reshaping the risk landscape, both increasing the speed and sophistication of attacks while expanding the ability of both good and bad actors to identify system vulnerabilities, as demonstrated by Mythos. Taken together, these dynamics increase pressure on risk managers to take a more holistic view across risk stripes as signals that appear manageable within individual areas can combine to create a larger and faster-moving impact. It also puts a premium on strengthening the underlying capabilities that support that view, including timely and reliable data, effective aggregation of exposures, and the use of technology to identify, synthesize, and drive action on emerging signals.

2 Senate Banking passes CLARITY Act

What happened? On May 14th, 2026, the Senate Banking Committee [marked up](#) and passed the [Digital Asset Market CLARITY Act](#) in a 15-9 vote, with two Democratic Senators voting in favor.

What does the CLARITY Act contain? The Act outlines regulatory jurisdiction for digital assets and contains other requirements including those around disclosures and consumer protection.

- Digital assets would be subject to oversight by the following agencies:
 - **The CFTC** would oversee “digital commodities,” which the CLARITY Act defines as “a digital asset intrinsically linked to a blockchain system, and its value is derived from...the use of the blockchain system.” Most non-stablecoin crypto assets such as Bitcoin and Ethereum would fall under this definition;
 - **The SEC** would oversee digital representations of securities as well as tokens that constitute investment contracts such as capital raising activities that offer investors an ownership stake in a digital asset project; and
 - **Banking regulators** would oversee payment stablecoins consistent with the GENIUS Act.

- Other notable provisions of the CLARITY Act include:
 - **Prohibition on payment of interest or yield.** Digital asset platforms, service providers and their affiliates would be prohibited from offering passive, deposit-like yield or interest payments (such as interest for assets passively sitting in a digital wallet) to customers. However, transaction-based or activity-based awards (such as cash back or airline miles on purchases) would be permissible subject to a joint rulemaking to be issued by the SEC, CFTC and Treasury.
 - **Disclosure requirements.** Developers would be required to disclose information related to the digital asset project's operation, ownership, and structure, including source code availability, governance mechanisms, token functionality and use of proceeds. Exchanges and broker-dealers would be subject to registration requirements and would then be required to provide ongoing disclosures.
 - **Consumer protection.** The Act specifies that digital asset firms would be subject to consumer protection laws and would be required to segregate customer funds.
 - **Anti-money laundering and illicit finance.** Digital commodity brokers, dealers and exchanges would be subject to full Bank Secrecy Act requirements, including customer due diligence expectations, suspicious activity reporting and recordkeeping.
 - **Bankruptcy protections.** Digital commodities would be treated as customer property in the event of a bankruptcy as opposed to unsecured creditors.
 - **Safe harbors for developers.** DeFi software developers and network participants engaged solely in development or infrastructure activity would be exempt from Federal securities or commodities laws as well as money transmitter requirements.

What were the areas of focus during the mark up? Democratic Senators pushed for (1) ethics amendments that would prohibit elected senior officials from owning, promoting or affiliating with digital assets and (2) restrictions on certain digital assets in tax-advantaged retirement accounts. Both of these amendments were voted down along party lines. Amendments that were ultimately adopted into the Act include a sandbox for the development of AI digital asset tools as well as a requirement for the SEC and CFTC to develop portfolio margining rules related to digital assets.

What's next? Senate Banking's version of the Act will need to be reconciled with a similar bill that has yet to pass the Senate Agriculture Committee. It will then need to be reconciled with the House of Representatives' version and passed by both houses of Congress before it can be signed into law.



Our Take

CLARITY takes a step forward, but there's a long way to go and elections are on the horizon

After months of negotiation, outreach and delay, the CLARITY Act finally passing out of the Senate Banking Committee is an important step toward a long-awaited US regulatory framework for digital assets. While SEC Chair Paul Atkins and CFTC Chair Mike Selig have agreed on a regulatory approach that largely mirrors the CLARITY Act, the passage of the Act would provide significantly more certainty as it would be more difficult for a future administration to reverse course. However, before competing versions can be reconciled in Senate Agriculture and House Financial Services and obtain the filibuster-proof 60 votes to pass the full Senate, there remains significant work and negotiation ahead. While Senate Banking ultimately reached an agreement on the specifics around the prohibition of interest or yield, it remains a hotly contested issue with the banking industry [continuing to argue](#) that the current provision leaves open the possibility for loopholes. It will also be difficult to obtain the requisite Democratic votes to pass the Senate without compromising on an ethics amendment. With midterm elections in November, if this work does not move quickly the bill could be stalled and face a more hostile audience in the next Congressional session.



On our radar

California appoints Rohit Chopra to lead new Business and Consumer Services Agency. On May 12th, California Governor Gavin Newsom [announced](#) the appointment of former CFPB Director Rohit Chopra as Secretary of California's new Business and Consumer Services Agency (BCSA). The agency, which consolidates multiple licensing and enforcement functions including oversight of the Department of Financial Protection and Innovation, is set to launch July 1st, 2026.

CFTC proposes amendments to interest rate swap clearing requirements. On May 12th, the CFTC [issued](#) a [notice](#) of proposed rulemaking to update its swap clearing regulations to reflect benchmark transitions for Canadian dollar swaps and Mexican peso swaps.

Senate confirms Kevin Warsh as Fed Chair. On May 13th, [the full Senate voted to confirm](#) Kevin Warsh to be Chairman of the Board of Governors of the Federal Reserve System for a term of four years. Jerome Powell will remain Acting Chair until Warsh is formally sworn in. Separately, Federal Reserve Board member Stephen Miran [submitted](#) his resignation, effective upon the swearing-in of his successor.

FDIC publishes staff analysis of 2023 bank failure deposit outflows. On May 14th, the FDIC published a [staff analysis](#) that looked at granular deposit data of three failed banks to study the types of deposits and depositors at each bank, the run rates of depositors, and the outflow rates of different types of deposits. The FDIC staff concludes that deposit insurance caused depositors to be less likely to run, and that the largest depositors were most likely to move their funds regardless of deposit insurance coverage.

The OCC issued two final rules on national banks' and federal savings associations' real estate lending powers. On May 15th, the OCC published [a final version of its rule updating 12 CFR Parts 34 and 160](#), related to the payment of interest on funds held in escrow accounts. The OCC concurrently published [a final preemption determination](#) concluding that the National Bank Act preempts New York State's interest-on-escrow law, and laws from other states substantively similar to that law.



Additional information

For additional information on the Our Take series or PwC's Risk and Regulatory Practice please contact:

Amanda Cox

Financial Services Risk & Regulatory Leader
773 456 5019
amanda.cox@pwc.com

Adam Gilbert

Global Senior Regulatory Advisor
914 882 2851
adam.gilbert@pwc.com

Martha Pampel

Managing Director
312 833 3385
martha.pampel@pwc.com

Contributing authors: Stein Berre, Matt Blumenfeld, Jacob Sciandra, Michael Horn, Tanya Pazhitnykh and Katie Wen.

[pwc.com](https://www.pwc.com)

© 2026 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.