



Our Take

PwC's Financial Services Risk & Regulation Update

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1 Vice Chair Bowman outlines Fed supervision reform

What happened? Fed Vice Chair for Supervision Michelle Bowman delivered two recent speeches on Fed supervision reform. On October 6th, she [discussed](#) the reorganization of the Fed's supervisory function and broader efforts to modernize supervision. On October 14th, she [addressed](#) preliminary findings from an independent review of Silicon Valley Bank's 2023 failure and the changes the Fed is making in response.

What did Bowman say? Across the two speeches, Bowman described an effort to clarify accountability for supervisory decisions, reduce delays in addressing material risks, and make supervisory intensity more proportionate to each institution's risk profile. Specifically:

- **Reorganizing supervision into five regions.** She announced that the Fed had begun realigning its supervisory function into five regions, each with a leader accountable for all supervisory activity within the region. Under the existing structure, the Board delegates authority to each of the 12 Reserve Banks with the Board's Division of Supervision and Regulation overseeing how the Reserve Banks carry out those responsibilities. The new regions will follow state boundaries rather than Reserve Bank District boundaries, which Bowman said is intended to improve coordination with state and federal regulators, create operational scale, simplify leadership, and support consistency.
- **Clarifying who can make and escalate supervisory decisions.** Bowman said the Fed is considering a more direct allocation of responsibility, authority, and accountability between Board and Reserve Bank staff, clearer decision rights for examiners and supervisory leaders, and direct escalation channels from examination teams to senior supervisory leadership. She connected these measures to the Silicon Valley Bank review's finding that multiple groups identified the bank's interest-rate and liquidity risks but uncertainty over decision-making authority and a lack of clear accountability impeded timely action.
- **Updating regulatory thresholds and large-bank categories.** Bowman said the Board will consider updates to fixed-dollar thresholds in its regulations later in 2026 to account for inflation and economic growth, together with a mechanism for subsequent adjustments every five years. She also said the Board will consider broader changes to asset-based bank categories and updates to the large-bank tailoring framework.



Our Take

Regional supervision could accelerate escalation and sharpen scrutiny

The restructuring reflects a broader, longstanding trend within the Fed toward organizing certain functions nationally or across Reserve Bank boundaries to address differences in institutional scale, staffing needs, and access to specialized expertise. The five-region model extends this approach to a broader segment of bank supervision, potentially allowing the Fed to achieve greater scale and flexibility in deploying supervisory resources while retaining local examiner relationships. Assigning each region to an accountable

leader could promote more consistent implementation of the Fed's revised operating principles than the existing structure, in which supervisory responsibilities are distributed across 12 Reserve Banks and national committees.

The regional model could also provide clearer channels for resolving disagreements and escalating material risks. However, important implementation questions remain, including how the regional leaders will interact with Reserve Bank and Board leadership, which existing portfolio structures and reporting lines will be retained, and where final decision-making authority will reside on questions of materiality, proportionality and supervisory intervention. Fewer layers of review and greater decision-making authority delegated to designated supervisory leaders could shorten the time between identifying an emerging risk and taking supervisory action. Banks should therefore strengthen their own risk identification and monitoring capabilities to anticipate areas of supervisory concern and be prepared to respond more quickly, potentially with less advance notice. They should also focus on strengthening the quality, accessibility and governance of their risk data, particularly in areas affected by changes to regulation such as capital and liquidity. An institution's ability to identify emerging vulnerabilities, demonstrate effective controls and produce reliable data on short notice will become increasingly important to managing supervisory relationships and avoiding escalation.

Agencies can tailor the fit, but Congress controls the pattern

The planned adjustments to asset thresholds and the tailoring of supervisory requirements based on banks' size, complexity and risk profiles respond to a long-standing concern for banks that static dollar thresholds can increase regulatory requirements as balance sheets and the economy grow, without a corresponding increase in an institution's risk. Banks are likely to welcome the review, but its significance will depend on which thresholds and categories change as well as how the Fed recalibrates requirements within them. Importantly, because many of the most consequential thresholds are established by statute, any agency-based initiative cannot wholly change application of enhanced prudential standards without bipartisan congressional action.

2 Digital assets: CFTC builds without Congress, FinCEN gets less prescriptive

What happened?

- On October 5th, the CFTC [published](#) a proposed regulatory framework for retail commodity transactions involving crypto assets. The proposal contains two rulebooks:
 - Regulation Crypto Asset Transactions (Reg CTX), which sets forth the CFTC's scope over digital asset transactions; and
 - Regulation Crypto Asset Markets (Reg CAM), which creates tailored regulation for exchanges that list only crypto transactions.
- Also on October 5th, CFTC Chair Michael Selig [spoke](#) at the Fordham Law Blockchain Regulatory Symposium. He said the agency would use its existing statutory authority to set clearer rules for crypto firms and markets even though Congress did not pass the CLARITY Act.
- On October 6th, FinCEN withdrew two pending crypto proposals: a 2020 [unhosted wallet proposal](#) and a 2023 [crypto mixing proposal](#).

What does Regulation CTX do? It would provide criteria for when non-stablecoin digital asset transactions fall under the CFTC's authority. Under existing rules, a retail commodity transaction offered on a leveraged, margined or financed basis is treated as if it were a futures contract and therefore must trade on a regulated exchange. The exception is a transaction that results in actual delivery within 28 days. The proposal's preliminary interpretations of "offer" and "actual delivery" therefore determine which crypto transactions fall within the CFTC's scope:

- **An “offer” of leverage brings transactions in.** The proposal defines “offer” broadly, including standard customer documents such as onboarding materials, exchange terms or margin agreements that would then apply the offer across the entire exchange. It also includes financing that the exchange arranges, markets, shares revenue from or otherwise materially assists. Once an offer exists, it would attach to every transaction the customer could have financed, including trades the customer pays for in full.
- **“Actual delivery” scopes transactions out.** A covered transaction would leave the futures-style framework only once actual delivery occurs, which would require the customer to obtain control of the asset, including in some cases holding private keys. A fully paid trade held only as a book entry on the exchange would stay covered until delivery. After delivery, only the CFTC’s anti-fraud and anti-manipulation authority would continue to apply.

What does Regulation CAM do? It would create a new type of exchange registration for covered transactions under Reg CTX along with tailored requirements. Key features include:

- **A new type of designated contract market (DCM).** The proposal creates the new category of crypto asset markets (CAM), which are a subcategory of DCM for platforms that list only crypto transactions. Unlike futures DCMs, CAMs would list the crypto asset itself rather than a contract referencing it. Existing DCMs could also add CTXs under their current registrations.
- **Crypto-specific listing standards.** Under existing rules, exchanges can only list contracts not susceptible to market manipulation. The proposal sets forth four factors for determining whether a crypto asset is susceptible to manipulation: (1) circulating supply and liquidity; (2) control of the underlying blockchain; (3) whether the source code is open; and (4) the network’s reliability and security.
- **Mandatory FCM intermediation.** Crypto transactions covered by the regulation would be required to be intermediated by a futures commission merchant (FCM), which would include requirements around segregation, net capital, risk management, NFA membership and BSA/AML obligations. CTXs would only be able to offer margin or financing through FCMs.

What did the withdrawn FinCEN proposals contain?

- **The unhosted wallet proposal** would have required firms to report, keep records and verify customer identity for transactions involving unhosted wallets – i.e., crypto wallets held by the user themselves as opposed to a financial institution – or wallets hosted in high-risk jurisdictions.
- **The CVC mixing proposal** labeled CVC mixing as a “primary money laundering concern,” which among other measures could cut off any foreign bank involved with the CVC mixer from the US financial system.

What’s next? Comments on the CFTC’s proposal are due by December 14th. The FinCEN withdrawals took effect on October 6th.



Our Take

The agencies move forward to define and tailor regulatory boundaries

Taken together, the CFTC’s proposed framework and FinCEN’s withdrawals illustrate that the Administration’s more accommodating approach to digital assets will retain meaningful guardrails. The CFTC is seeking to bring leveraged retail crypto activity into an established federal regulatory framework, with requirements for registered exchanges, intermediaries, customer protections and market surveillance. At the same time, FinCEN is stepping back from prescriptive requirements it views as unnecessarily burdensome while retaining its focus on illicit finance risks. The common thread is a shift toward enabling digital asset activity within clearer, more tailored regulatory boundaries rather than allowing it to develop outside of regulatory oversight. For firms, greater regulatory openness should not be mistaken for lower expectations around risk management, market integrity or financial crime controls.

An “offer” test firms can’t refuse

For crypto exchanges, the most important part of the proposal is its reading of the term “offer.” The proposed definition of “offer” is so broad that any customer-facing document could fall into the definition and then attach to every eligible trade, and that offering any retail leverage could move an exchange’s entire book under CFTC oversight.

Exchanges therefore face a real choice. They can stay spot-only under state licensing regimes or they can offer leverage and accept CFTC oversight, which includes FCM intermediation, segregation, net capital and exchange-level surveillance. Firms should review how affiliated lending and margin features are presented to customers now, because these features may decide which oversight regime may apply.

Meanwhile, traditional players will gain opportunities. Existing DCMs will be able to list crypto transactions, FCMs will gain a new line of business due to their role as intermediaries, and banks gain a defined role as FCM-sponsored leverage providers. In addition to planning how these opportunities fit into their strategies and risk appetites:

- DCMs should consider building listing capabilities that consider the proposal’s manipulation factors; surveillance capabilities that can cover 24/7 spot trading as well as price activity on offshore venues and onchain markets; and technical capabilities to settle by delivery to customer wallets.
- FCMs should consider whether their know-your-customer and anti-money laundering programs can handle the high volume that would come with retail crypto intermediation. They should also consider developing crypto-specific custody and segregation capabilities, including private key management and reconciliation against onchain records.
- Banks should determine their risk tolerance for lending against crypto and whether they should implement cushions for more volatile assets or concentration limits.

FinCEN gets less prescriptive, but AML remains an important crypto risk

By withdrawing two prescriptive proposals, FinCEN is continuing to move in the direction of its AML overhaul announced earlier this year (see *Our Take* [here](#)) to make its regulatory framework more risk-based and focused on outcomes rather than check-the-box compliance. However, the withdrawal is not a sign that FinCEN has stepped back from the underlying risk. In the Federal Register notice, FinCEN states that it will continue to monitor activity involving CVC mixers for indicia of money laundering, terrorist financing, or other illicit finance activity, and that it may take appropriate steps in the future to mitigate that activity, which leaves open the possibility of new obligations at a later date

Particularly given this context, firms should not read the withdrawals as permission to scale back blockchain analytics or monitoring of mixer and unhosted wallet exposure. Instead, they should make sure their risk-based programs explain how those exposures are identified and escalated. As evidenced by a recent series of high-profile enforcement actions, the regulators remain highly focused on AML, and as illicit actors increasingly look toward crypto to launder money, FinCEN’s attention will follow.

3 Fair access in focus: OCC reports on its debanking review at nine large banks

What happened?

- On October 14th, the OCC published a [report](#) on its supervisory review of debanking activities, which was conducted pursuant to [Executive Order 14331](#)'s directive to federal banking agencies to identify institutions with policies or practices that required, encouraged or otherwise influenced politicized or unlawful debanking. In separate [remarks](#) accompanying the report, Comptroller Jonathan Gould said the OCC is not requiring banks to serve every customer but expects them to evaluate customers using objective, risk-based criteria.
- Also on October 14th, the CFPB announced [a new initiative](#) to investigate whether the institutions featured in OCC's report and others have complied with federal consumer financial laws and take appropriate action.

What did the OCC review and find? The review covered the nine largest national banks as of September 2025 and examined their policies and customer decisions from 2020 through September 2025. The OCC reviewed nearly 100,000 complaints, hundreds of individual customer decisions, and approximately 50,000 documents totaling about 420,000 pages. The agency characterized its findings as showing that all nine banks had policies that may have required, encouraged or otherwise influenced decisions to deny or limit financial services based on political or religious beliefs or affiliations or lawful business activities. Specifically, the report notes that:

- **Banks lacked objective criteria for reputation risk decisions.** The OCC found that the banks largely lacked clear, measurable standards for applying their reputation risk policies. Banks considered negative news, advocacy group opinions, environmental and social reports, potential protests and anticipated reactions from customers, investors, elected officials, regulators and other outside groups. Scoring tools, committees and specialized review groups added structure but did not resolve the subjectivity of the underlying judgments.
- **Ambiguous standards produced inconsistent customer outcomes.** Bank employees referred customers whose political, religious or social views fell outside the perceived mainstream for additional reputation risk review. The OCC found that allegations, negative press, negative reviews and past arrests contributed to decisions to decline or exit some customers, sometimes without validating the underlying concern. The report contrasts those decisions with cases in which banks retained high-net-worth or lucrative existing clients facing greater negative public exposure.
- **Industry policies changed with the political and legal environment.** The OCC found that banks' treatment of certain industries shifted as political and social conditions changed, including cases in which banks reconsidered previously restricted relationships in 2025. During the review period, the OCC identified prohibitions or heightened review of customers involved in Arctic oil and gas, coal, firearms, detention facilities, tobacco and digital assets, among other sectors.
- **Account-closure communications often lacked meaningful explanations.** The OCC report indicates that letters and customer-service scripts frequently provided little information about the reason for closure. In several cases, the OCC found that clearer communication before closure could likely have allowed the customer relationship to continue.
- **Banks adopted fair-access measures, but the OCC questioned their effectiveness.** In the period leading up to and following the August 2025 Executive Order, banks accelerated efforts to formalize fair-access requirements, reconsider categorical industry restrictions and revise controls governing onboarding, account maintenance and closure. All nine banks reassessed their use of reputation risk, but many continued to consider related concepts, sometimes under labels such as brand or franchise risk. According to the report, few banks could identify objective thresholds for those concepts, and the

OCC could not determine whether the revised policies would prevent the practices described in the report from recurring.

What's next? The OCC will work with other regulators to assess whether bank policies implementing the Bank Secrecy Act contributed to debanking. The agency is also continuing its evaluation of account-closure notices and developing a process to identify institution-specific and broader debanking trends through customer complaints. It may issue related guidance or regulations to prevent discrimination based on political or religious beliefs and address banks' use of reputation risk, including reliance on third-party opinions in customer decisions, but the report does not provide a timetable for those actions.



Our Take

Bank policy should outlast the political cycle

The report's conclusions come as no surprise given Administration criticism of bank customer acceptance decisions. The challenge is that many of the decisions under review were made in response to a different set of regulatory, political and market expectations. Recent scrutiny of past financial-inclusion and environmental initiatives illustrates the broader risk: conduct responsive to one period's policy priorities may be reviewed under another period's interpretation of the law. The upcoming midterms could further complicate that challenge by subjecting recent changes in policies, public commitments and business decisions to a different set of oversight priorities.

Against shifting political and regulatory scrutiny, clear and consistently applied criteria provide the strongest defense for bank decisions. As Gould acknowledged, banks retain discretion to decide which customers and industries they serve based on strategy, expertise, operating capabilities and risk appetite. However, they must ground those decisions in identifiable financial, legal, compliance or operational risks and apply the same standards to similarly situated customers.

What can firms do now?

- **Test decision consistency.** Compare onboarding, expansion, restriction and termination decisions for similarly situated customers. Differences in treatment should be traceable to customer-specific activities, controls or requested services, rather than political profile, public prominence or commercial value.
- **Support decisions with verified facts and identifiable risks.** Negative news, outside opinions and industry classifications can identify areas for further review, but the final decision should be based on verified facts and a clear connection to financial, legal, compliance or operational risk.
- **Challenge policy revisions.** When external developments prompt a revision, banks should identify what changed in the law, business strategy, operating capacity or underlying risk rather than treating a shift in political direction (including regulatory expectations) as sufficient justification.
- **Assess legacy decisions.** Complaints, exceptions and inconsistent outcomes can help identify prior decisions that warrant reconsideration. Any reassessment should account for the law, guidance and supervisory expectations in effect at the time, as well as whether the decision had an objective basis.



On our radar

Treasury finalizes amendments to securities auction rules. On October 15th, the Treasury Department [published](#) a final rule amending its Uniform Offering Circular for the sale and issue of marketable Treasury securities, making largely technical updates to align the auction rules with current terminology. The rule also requires institutions submitting noncompetitive customer bids to provide each customer's name and bid amount before the noncompetitive auction closes, effective with the first auction conducted on Treasury's upgraded auction system.

SEC publishes proposal to modernize its investment company cross-trading rule. On October 15th, the SEC [published](#) in the Federal Register a proposal to amend Rule 17a-7 under the Investment Company Act. It would expand eligible securities to those valued with observable inputs, add NAV pricing and current market pricing as alternative pricing methods, shift quarterly cross-trade reviews from fund boards to chief compliance officers, and require aggregated cross-trading reporting on Forms N-PORT and N-MFP. Comments are due December 14th.

CFTC moves to define event contracts as swaps while excluding casino-style gambling. On October 9th, the CFTC issued an [interim final rule](#) excluding casino-style gambling products, including sportsbook wagers and casino games, from the "swap" definition, alongside a [proposal](#) that would expressly include event contracts based on sports, politics, cultural and weather-related events. The interim final rule is effective upon publication in the Federal Register, with comments on both due 30 days after publication.

OFAC expands Iran sanctions across shipping and banking. On October 8th, OFAC [designated](#) 22 tankers and the shipping companies operating them as part of an action against Iran's shadow fleet, and on October 15th [designated](#) four Iranian exchange houses, two Iranian banks and Baghdad-based International Development Bank for Investment and Finance. Wind-down transactions involving the designated ship manager and the Iraqi bank are authorized through October 23rd and October 30th respectively.

EU supervisory authorities set 2027 cross-sector priorities. On October 13th, the Joint Committee of the European Supervisory Authorities published its [2027 priorities](#), including digital operational resilience, consumer protection, sustainable finance, securitization, financial conglomerates, artificial intelligence and tokenization. Planned work includes examinations of designated critical information and communications technology third-party providers under the Digital Operational Resilience Act, testing of the EU's systemic cyber incident coordination framework, preparatory work for revised securitization disclosure templates, and a Q1 2027 consultation on capital adequacy reporting for financial conglomerates. The authorities also expect to develop technical standards for the Packaged Retail and Insurance-based Investment Products Key Information Document, subject to the EU legislative process, and will assess AI and tokenization use cases across the financial sector.



Additional information

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

Amanda Cox

Partner

773 456 5019

amanda.cox@pwc.com

Dietmar Serbee

Partner

917 902 6382

dietmar.d.serbee@pwc.com

Martha Pampel

Managing Director

312 833 3385

martha.pampel@pwc.com

Stein Berre

Managing Director

929 808 7076

stein.berre@pwc.com

Contributing authors: Rob Sarama, Michele Montejo, Matthew Blumenfeld, Andrew Hillyer, Eric Lorber, Matt Coughlin, Michael Horn, Tanya Pazhitnykh, Jarryd Stalling, Gigi Elliott and Katie Wen.

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