Deloitte.

Together makes progress

Back to basics: From strong foundations to innovation and growth

February 2026

Center *for*
Regulatory Strategy
US

Executive summary-Back to Basics

Regulatory requirements and supervisory practices are quickly moving to be less restrictive as the leaders of the federal banking regulatory agencies are reshaping their approach to regulation, supervisory priorities, and internal agency supervisory processes.

These actions recalibrate prior years' regulatory response to headline-grabbing governance, risk management and control failures, which resulted in significant investments to strengthen risk management frameworks and embed them within operating models and culture.

With the recent shift in regulatory agency priorities, boards and senior management in the US are asking **"Can we finally do more with less?"**.

Our point of view: Strong risk management remains critical, however, now is the time to re-calibrate, streamline and automate practices and redeploy resources in areas of growth and innovation.

Strong risk management and effective governance and oversight by the board and senior management are now more critical than ever as US regulators reduce regulatory and supervisory intensity.

We recommend institutions embrace this period of restrained regulation by reassessing their strategy and risk appetite and by recalibrating their frameworks and practices. Institutions should engage with internal audit (IA) and regulators to risk-focus remediation, and redirect resources to invest in technology and artificial intelligence (AI), integrated data systems, and new products and mergers and acquisitions to support innovation and growth.

Those that do can better position themselves to lead the industry.

Key US regulatory developments over the past 12 months:

- Regulatory **priorities shift to material financial risks**, while keeping an eye on core nonfinancial risks (Bank Secrecy Act/Anti-Money Laundering [BSA/AML], consumer, cybersecurity).
- Large financial institution (LFI) rating system has been recalibrated to **raise the standard for not well-managed designation**.
- Federal banking agencies proposed to **raise the bar for matters requiring attention/matters requiring immediate attention (MRAs/MRIAs)** and enforcements, though examiners could issue "observations."
- Agencies have signaled an intent to recalibrate key thresholds that trigger **"category" designation, while the OCC has proposed higher threshold for Heightened Standards**.
- **Fewer horizontal exams (now coordinated examinations) and increased collaboration** expected amongst the federal banking agencies; yet divergence is noted at the state and global level.
- Regulators are now **supportive of innovative technologies** (AI and digital assets), but with expectations for disciplined risk management.

Practical industry next steps and considerations:

- **Review remediation portfolio** and actively engage with regulators and IA on resizing remediation and closure.
- **Review risk management policies, frameworks, and processes to ensure application is prioritized and risk-based**. In areas where risk-based approaches have not been applied, re-evaluate and proactively discuss.
- In alignment with approved AI risk frameworks, **experiment with AI** to learn and drive efficiency within risk processes, **uplifting talent** as needed.
- **Evaluate and invest in improved data and technology infrastructure** to improve **processes, controls** that enhance ability to manage risk but also drive revenue.
- **Evaluate and timely implement growth initiatives** (new products, digital assets, M&A, etc.) given the supportive regulatory environment.
- **IA functions should serve as review and independent** challenge of effectiveness of governance and risk management and remediation.

Regulatory pendulums continue to shift–Don't lose your focus

As administrations change and market dynamics evolve, the regulatory pendulum swings between more restrictive and more permissive environments, which shapes strategic planning and business cycles. Today the emphasis is on simplification, re-focused supervision and innovation. No matter the regulatory environment, strong risk management and governance remain fundamental and enable organizations to perform well.

- Financial crisis aftermath paves the way for legislation-**Dodd-Frank Wall Street Reform and Consumer Protection Act** (July 2010) mandated regulators to issue "enhanced prudential standards" (EPS) regulation
- **FRB finalizes EPS** for US BHCs and FBOs (February 2014) with implementation of July 2015 and July 2016, respectively
- OCC finalizes **Guidelines for Heightened Standards for Large Banks** (September 2014); codified into Part 30, Heightened Standards, solidifying risk regulations

- Congress passes **Economic Growth, Regulatory Relief, and Consumer Protection Act** revising Dodd-Frank and requiring tailoring of EPS requirements based upon size, scale, risk profile (May 2018)
- **FRB finalizes LFI Rating** for 2019 ratings cycle (November 2018)
- FRB, OCC, and FDIC **finalize tailoring prudential standards** (October 2019)

- Federal banking agencies issue rule requiring **computer-security incident notification** (November 2021)
- Federal banking agencies issue joint proposal to **modernize Community Reinvestment Act** (May 2022)
- **Increased supervisory scrutiny** after Spring 2023 banking sector stress
- Federal banking agencies issue to **Basel III Endgame** (July 2023), **long-term debt** (August 2023), **and enhanced resolution planning guidance proposals** (August 2023)

- Federal banking agencies **shift supervisory priorities to material financial risks** (Spring 2025)
- FDIC and OCC **propose rule to define "unsafe or unsound practice"** and raise bar for issuing MRAs (October 2025)
- FRB finalizes **LFI rating system changes and issues Operating Principles** (November 2025). Federal banking agencies **finalize changes to eSLR** (November 2025)
- **OCC issues proposal to raise heightened standards threshold** from $50 billion to $700 billion in total assets (December 2025)

Key developments over 2025 and early 2026

Below is a summary of some of the key developments in the US regulatory landscape in 2025. Focus is financial risk, simplified supervision and support of innovation and growth

New leaders reshaping supervision

- Reorientation of supervisory focus toward financial risk
- FDIC/OCC proposed raising the bar for issuance of formal supervisory findings to define "unsafe or unsound practice"
- FRB implemented new supervisory operating principles including increased reliance on other supervisors and IA
- FRB revised LFI rating framework to allow more firms to be rated as "well managed"
- Prohibiting examiners from consideration of reputational risk
- Recissions of guidance relating to digital asset and leveraged lending, signaling a more permissive and less prescriptive environment

Raising and indexing thresholds

- FDIC raised and indexed several thresholds, including those relating to annual independent audit and reporting requirements
- OCC proposed to raise heightened standards from $50 billion to $700 billion in total consolidated assets
- FDIC raised its continuous monitoring program threshold from $10 billion to $30 billion in assets

Revised capital framework

- Revised enhanced supplementary leverage ratio (eSLR) to improve Treasury market functioning
- FRB proposed to average stress test results over two years to reduce volatility of capital requirements
- FRB issued new transparency around stress testing models and scenario design
- Modifications to the community bank leverage ratio (CBLR) to its statutory minimum
- Federal banking agency leaders announced their intention to follow through with Basel III Endgame, long-term debt, and GSIB capital surcharge rules via re-proposals in 2026

New focus on chartering and bank mergers

- FDIC and OCC rescinded their 2024 merger policy statements and rule modifications with additional accommodative reforms expected in 2026
- FDIC issued a request for information (RFI) on industrial loan company (ILC) charters
- OCC elevated its chartering and licensing function to reflect its strategic priority

Deloitte, "2026 banking regulatory outlook," January 2026.

Regardless of regulatory pendulum shifts, risk remains unchanged. Effective risk management, IA, and governance and oversight are fundamental

There has been significant investment in risk management and governance by the financial services industry over the past several years-this focus should not be lost. Oversight and effective challenge by the board, senior management, risk management, compliance and internal audit are more important than ever for ensuring strong performance and resilience. Below are some practical considerations to not lose sight of.

Maintain strong **governance and accountability by the board and senior management**. Establish effective **reporting and escalation channels** from the business to senior management and the board, and provide for clear ownership, roles and responsibilities, and effective communication, monitoring and reporting processes. Critical challenge remains important, including oversight of second ands third lines' abilities to keep pace given the collective change and new opportunities for business, growth and innovation.

Maintain robust IA capabilities, including appropriate skill sets and staffing levels, to complete remediation assessments and audit coverage. IA functions should maintain "satisfactory" ratings if they are to be relied upon by supervisors for issue validation and closure. Provide **IA stature and involvement in new product**, services, and technology decisions to position them to influence "go/no go" decisions.

Review and maintain risk management and control frameworks across businesses, legal entities and cross-border operations with a clear view toward risk-based approach. **Continue to define and monitor risk limits and thresholds metrics** based on the risk appetite to holistically assess risks and **review new products process and AI/technology governance frameworks for robustness** to evolve with strategic changes and innovation.

Investing in data and reporting is an imperative—enable management information systems (MIS) to capture relationships and related risks. **Basic data tagging** to legal entity, jurisdiction, business, customer, product should be enabled within key systems and overall focus should be on quality, timeliness, and completeness. **Data is the cornerstone to innovation and transformation**.

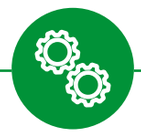
Define **incentive structure and staffing levels** in a way that provides for **roles and responsibilities around risk** to be adequately performed, **'dual-hatting requirements'** are adhered to, and where employees are encouraged to proactively **manage, escalate and remediate risks**.

Industry response–Focus areas when navigating the regulatory environment

Below are some practical areas we recommend organizations consider in light of the recent changes. The key is to remain anchored in the strong risk management, governance and oversight already in place; but leverage the foundation to pivot to transformation, growth, and innovation.

Regulatory strategy and governance

- **Review remediation portfolio** and actively engage with regulators and internal audit on resizing remediation and/or closure.
- **Deploy regulatory change management practice**s to stay abreast of and anticipate future/anticipated regulatory pivots.
- **Prioritize financial risk areas to clear remediation and align for category change requirements or strategy changes.** Continue efforts to improve data, reporting, and controls.
- Ensure **effective reporting and escalation channels** from the business to senior management and the board.
- **Revisit board and committee governance** to ensure they are positioned to effectively govern broad/rapid industry change and new strategic considerations.



Risk management and controls

- **Review risk management policies, frameworks, and processes** to ensure application is prioritized and risk-based.
- **Evaluate, simplify, and automate risk management frameworks** and controls for nonfinancial risks.
- **Review risk appetite and "inherent" risks to ensure they reflect nature and complexity of the business**, especially as strategy and business mix evolve.
- **Recognition that AML, cybersecurity, and technology risk are considered strategic focus**, and compliance with laws and regulations remains a statutory priority.
- **Maintain emphasis on understanding processes and controls** on a front-to-back basis, which can aid in more comprehensive solutions.
- **Prioritize focus on issue management process**, proactively analyzing root cause and systemic issues given increased senior management and board accountability.

Data, tech and AI

- In alignment with approved AI risk frameworks, **experiment with AI to learn and implement to drive efficienc**y within key business and risk processes.
- **Prioritize investment in modernized technology** to maximize **straight-through processin**g and simplify applications.
- Utilize **advanced data collection** measures (e.g., predictive/forward-looking key risk indicators [KRIs] based on enterprise data pools) to identify and flag risks.
- **Enhance technology to ensure risk data can be produced at a holistic level**, across functions, businesses, and entities, that considers inter-company and intra-function bookings.
- **Establish effective, enterprise-wide escalation processes that clearly coordinate** with leaders across all regions, businesses, and entities.
- Enhance **cross-border, cross-business, and cross-entity technology and communication channels**.

Business strategy, growth, and innovation

- **Evaluate current strategy in light of regulatory changes**. Be sure to consider potential changes to the competitive landscape from increased new entrants and how client preference for financial services delivery may be evolving.
- **Revisit digital asset strategies**, moving from the sideline to investigate tokenized deposits and/or stablecoins, either directly or through consortium. Assess other ways to participate in the momentum, including custody and clearance and settlement.
- **Recognize that changes to strategy**—inorganic or organic growth—could be impacted with regulatory attention to thresholds and potential changes.
- **Continue focus** on talent—uplifting skills, alignment between performance measurement and incentives with risk management objectives, and continuing to implement a strong **risk culture of self-improvement and self-awareness**.

The recent recalibrations in regulation with a reprioritized supervisory approach with fewer examinations and targeted focus could feel like an opportunity to do less for some.

However, in our view, boards and senior management have an increased role in oversight and governance to provide for effective risk management and ongoing safety and soundness.

At the same time, this recalibration also emphasizes simplification and innovation. Therefore, it represents a significant opportunity for organizations to review and recalibrate their frameworks and practices and drive increased automation, transformation, and growth.

The industry should take action and use this window to propel forward.

In our experience in assisting financial institutions, there is no better time to experiment, learn, invest, transform—all while maintaining the strong risk management focus organizations have been building over the past several years.

Regulatory insights to action

The Deloitte Center for Regulatory Strategy, US

DCRS helps financial services firms anticipate regulatory change and respond with confidence. We focus on four sectors: banking, capital markets, investment management, and insurance.

As global regulators adapt to shifting economic, geopolitical, and technological forces, they continue to reshape business models and operating frameworks. These shifts create both risks and opportunities for firms.

Our team combines private and public sector experience, supported by Deloitte's access to a global network and regional hubs in Asia Pacific and Europe, the Middle East, and Africa. With former regulators, industry specialists, and business advisers, we deliver practical insights to help organizations navigate complexity and stay ahead.

Additional insights can be found on our hub page here.

How can we help you?

Register for our monthly newsletter

Contacts

Monica Lalani
Principal
Deloitte & Touche LLP
mlalani@deloitte.com

Jennifer Burns
Managing Director
Deloitte & Touche LLP
jennburns@deloitte.com

Deloitte Center for Regulatory Strategy, US

Irena Gecas-McCarthy
FSI Director, Deloitte Center for Regulatory Strategy, US
Principal
Deloitte & Touche LLP
igecasmccarthy@deloitte.com

Aaron Salerno
Manager
Deloitte Services LP
asalerno@deloitte.com

Kyle Cooke
Manager
Deloitte Services LP
kycooke@deloitte.com

Center *for*
Regulatory
Strategy
US

About the center

The Deloitte Center for Regulatory Strategy provides valuable insight to help organizations in the financial services industry keep abreast of emerging regulatory and compliance requirements, regulatory implementation leading practices, and other regulatory trends. Home to a team of experienced executives, former regulators, and Deloitte professionals with extensive experience helping clients navigate complex regulatory issues, the Center exists to bring relevant information and specialized perspectives to our clients through a range of media, including thought leadership, research, forums, webcasts, and events.

Deloitte.

This presentation contains general information only and Deloitte is not, by means of this presentation, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this presentation.

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2026 Deloitte Development LLC. All rights reserved.