

Statement by Acting Chairman Travis Hill

Proposal Regarding Prohibition on Use of Reputation Risk by Regulators

October 7, 2025

Earlier this year, the FDIC ended the practice of considering “reputation risk” as part of our supervisory program. Today’s proposal would codify that elimination in regulation.

A bank’s reputation is of course critically important. However, activities that might threaten a bank’s reputation in a manner that could impact its safety and soundness do so through traditional risk channels (such as credit risk, liquidity risk, or market risk, among others) that supervisors already focus on. Reputation risk as a standalone risk adds no value from a safety and soundness perspective¹ and is ripe for abuse.²

Among other things, the proposal would prohibit the FDIC (1) from criticizing or taking adverse action against a supervised institution on the basis of reputation risk, and (2) from requiring, instructing, or encouraging a supervised institution to close accounts — or refrain from providing services — on the basis of political, social, cultural, or religious views. The proposal would not impose new requirements or obligations on supervised institutions.

Throughout the year, the federal banking agencies have been aligned in our efforts to refocus bank supervision on material financial risks and to eliminate politicized debanking. Today’s proposal would advance both objectives. In conjunction with the proposed rule, the FDIC is announcing the removal of references to reputation risk from our guidance, policy documents, and examination manuals. We expect to continue working with the other federal banking agencies to remove references to reputation risk from interagency guidance and policy documents.

I thank the agencies’ staffs for their work on this proposal and look forward to the comments.

¹ See, e.g., Julie Anderson Hill, *Regulating Bank Reputation Risk*, 54 GEORGIA L. REV. 523, 530 (2020) (“...most regulation of reputation risk is superfluous. Reputation risk arises most often as an ancillary risk to some other problem already addressed in banking law.”).

² See e.g., FDIC Office of Inspector General, *The FDIC’s Role in Operation Choke Point and Supervisory Approach to Institutions that Conducted Business with Merchants Associated with High-Risk Activities*, Report No. AUD-15-2008 (Sept. 2015).