Statement by Acting Chairman Travis Hill

Proposal Regarding Unsafe or Unsound Practices, Matters Requiring Attention

October 7, 2025

I have spoken on several occasions in the past about the need to shift the focus of bank supervision towards fundamental financial risks and away from *process*.[1] The failure of Silicon Valley Bank illustrates the issue, where most of the outstanding supervisory criticisms when the bank failed were unrelated to core financial risks,[2] and the one criticism related to interest rate risk was focused on the bank's modeling, rather than the hole in the balance sheet.[3]

The purpose of today's proposal is to focus two of examiners' key tools — enforcement actions under Section 8 of the Federal Deposit Insurance Act and matters requiring attention (MRAs)[4] — on the practices and issues that matter most to banks' safety and soundness. The proposal would generally limit Section 8 enforcement actions[5] and MRAs[6] to practices and acts that have caused,

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[1] *See, e.g.*, FDIC, Speech by Vice Chairman Travis Hill, Charting a New Course: Preliminary Thoughts on FDIC Policy Issues (Jan. 10, 2025).

[2] *See, e.g.*, Raj Date, Banks Aren't Over-Regulated, They Are Over-Supervised, *Open Banker* (September 10, 2024) ("Indeed, the Federal Reserve's own post-mortem on the 2023 Silicon Valley Bank failure noted that before its demise SVB had 12 'Matters Requiring Immediate Attention,' precisely zero of which focused on the interest rate risk that ultimately drove its fatal bank run."). In addition to the 12 Matters Requiring Immediate Attention, SVB had 19 Matters Requiring Attention when it failed, only one of which focused on interest rate risk. *See* Board of Governors of the Federal Reserve System, Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank (Apr. 28, 2023), at 28. However, the finding focused on interest rate risk *simulations* rather than the financial risks associated with the bank's securities portfolio.

[3] *See* Board of Governors of the Federal Reserve System, Silicon Valley Bank Review – Supervisory Materials, SVB 2022 CAMELS Examination Supervisory Letter (Nov. 15, 2022).

[4] The FDIC currently uses the term Matters Requiring Board Attention (MRBAs) and would, under the proposal, replace MRBAs with MRAs, as defined in the rule.

[5] Specifically, the proposal would define an unsafe or unsound practice as a practice, act, or failure to act, alone or together with one or more other practices, acts, or failures to act, that (1) is contrary to generally accepted standards of prudent operation; and (2)(i) if continued, is likely to (A) materially harm the financial condition of the institution; or (B) present a material risk of loss to the DIF; or (ii) has already materially harmed the financial condition of the institution.

[6] Specifically, the proposal would define an MRA as a practice, act, or failure to act, alone or together with one or more other practices, acts, or failures to act, that (1)(i) is contrary to generally accepted standards of prudent operation; and (ii)(A) if continued, could reasonably be expected to, under current or reasonably foreseeable conditions, (1) materially harm the financial condition of the institution; or (2) present a material risk of loss to the DIF; or (B) has already caused material harm to the financial condition of the institution; or (2) is an actual violation of a banking or banking-related law or regulation.

or could be expected to cause, actual financial harm to the bank or materially impact the risk of the institution failing and imposing a cost on the DIF.[7]

The proposal would still allow supervisors to proactively identify, and require remediation of, material issues. Poor decisions a bank makes today may not show up in its financial metrics for an extended period of time. For example, poorly underwritten loans may not result in immediate delinquency or default, as borrowers may make payments for a few months or years before ceasing to pay. A bank's balance sheet may look fine under current economic conditions, but underwater if conditions change. So, it is important that supervisors have the capacity to identify problems and require remediation before it is too late.

But today, too often, examiners focus on a litany of process-related items that are unrelated to a bank's current or future financial condition. As a result, today's proposal would focus examiners' attention on supervisory issues that are material to a bank's safety and soundness.

The proposal is one of several steps the FDIC is contemplating to execute on the goal of reforming supervision. We are also working hard on potential reforms to the CAMELS rating system, and we are reevaluating many aspects of our existing manuals, rules, guidance, and internal supervisory procedures.

The proposal invites feedback from commenters on a list of questions, and I encourage robust comments.

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

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[7] As noted in note 6, under the proposal, the agencies would also be permitted to issue MRAs to address violations of banking and banking-related laws or regulations.