
Key Questions Congress Should Ask the Banking Regulators

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Since January the Trump Administration's heads of banking policy have wasted no time in taking unprecedented steps to change the rules to favor Wall Street, rescind vital protections for Main Street, and put America on the path toward another catastrophic financial crash.

Federal Reserve ("Fed") Vice Chair for Supervision ("VCS") Michelle Bowman, Comptroller of the Currency Jonathan Gould, and Chairman of the Federal Deposit Insurance Corporation ("FDIC") Travis Hill all have proven their intent to implement the policy wish list of the largest banks. Together, they are dismantling supervision and severely weakening regulation for the largest banks as well as eroding bank merger rules, rescinding the Community Reinvestment Act ("CRA") rule, and diminishing consumer protections.

Despite the claims of the regulatory heads to want to protect community banks, their actions are actually further stacking the deck against community banks and Main Street America. That is, weakening the supervision and regulation frameworks for the largest banks makes an already unlevel playing field for community banks much worse. Large banks will be able to use this regulatory advantage to gain much more control of the sector, leaving community banks and the communities they serve struggling to keep up.

Taken together, these actions will result in a more concentrated, fragile banking sector that prioritizes the financial needs of Wall Street, large corporations, and wealthy households over Main Street businesses and households. The American people rely on Congress to represent them and Main Street's interests, so we urge them to ask the following questions to VCS Bowman, Comptroller Gould, and Chair Hill.

Questions for Prudential Banking Regulators

1. Bank Capital

Bank capital funding is essential because it can be used to fund financial activities, such as making loans, while also protecting banks against failure by absorbing losses. Banks with higher capital can continue providing credit through the economic cycle, in both good times and bad, which helps the economy grow, creates jobs, and reduces the depth and length of recessions. Banks that

don't have enough capital fail in bad times because they are unable to cover losses. This is exactly what happened with the largest Wall Street banks when loans and risky investments caused huge losses in 2008. The result was bank failures, costly bailouts, and [the worst global financial and economic crisis](#) since the Great Depression.

Despite [clear evidence of the need for higher capital](#), in 2025, the banking regulators have focused on delivering [lower capital requirements for the largest, most complex banks](#). In fact, based on Better Markets analysis, recent proposals and upcoming proposals around the capital framework would have a combined effect of slashing more [than \\$200 billion in bank capital and bringing large bank capital to the grossly insufficient levels those banks had before the 2008 Crash](#).

However, these changes are all being pushed through with record speed and without disclosure to the public of their combined effect. This is despite VCS Boman [publicly stating](#) that the banking agencies should not take a "piecemeal" approach to capital requirements and that "the aggregate calibration of requirements is ultimately the most meaningful." Now these regulatory heads are using a piecemeal approach to hide their true goal, giving the industry what it wants – the same profit-maximizing capital levels they had before the 2008 Crash.

Question: The wish list of the largest banks on capital requirements has included lowering the enhanced supplementary leverage ratio, lowering the GSIB surcharge, watering down the Basel III capital standards, and weakening the stress tests and the stress capital buffer. You are pursuing all these efforts. Please explain why you agree with and are seeking to implement every single change on the Wall Street Banks' wish list?

Question: Why do you think it is a good idea for the largest, most complex banks in the country—and the world—to have the same capital levels they had when they caused the 2008 Crash?

2. Bank Stress Testing

It's largely forgotten now, but in the wake of the 2008 Crash, fear gripped the country as the financial crisis raged. Lending and economic activity ground to a halt because no one knew how big the losses were at the banks, which banks had enough capital to absorb their losses, or which banks were going to collapse next.

That downward cycle stopped when the government imposed very strong stress tests on the banks to determine which ones would survive the economic downturn and which ones might not. Because those stress tests were independent, strong, and transparent, they had integrity. The publicly announced results restored faith in the banking system, which unlocked lending and economic activity (although at a relatively low level due to the recession caused by the crash). The value of imposing strong stress tests was undeniable.

Despite this the banking agencies have proposed to provide banks with the full details of the stress tests well in advance of the banks being subject to the tests. Shockingly, this includes the full

details of the stress test models' functional form, parameters, and assumptions. Not only are the details being released to the banks, the banks now have an opportunity to comment on the scenarios and models, effectively allowing banks to change both the scenarios and models to their benefit.

Question: Because the banking sector is changing more rapidly and becoming more concentrated, the factors that stress banks, especially the largest banks, and lead to losses have become more unpredictable. Yet disclosing the scenarios for public comment surely will result in them becoming repetitive and watered down. How does the Fed see the stress test process improving from disclosure and comment on scenarios prior to the execution of the stress test?

Question: You also have released the details of the stress test models, including all parameters and assumptions, for public comment. Combined with the release of the scenarios prior to the test, you are giving all details of the test to the banks before it happens and well before the year-end data on which the test is based. Doesn't that allow banks to optimize their capital positions and make the stress test worthless?

Question: Furthermore, you stated that the primary motivation for releasing the details of the models is to avoid litigation. However, isn't it the case that releasing the full details of the models opens up the Fed to more litigation since banks can now sue based on specific parameters and assumptions?

3. Bank Merger Policy

Without question, our country benefits from a diverse banking system that includes community banks, regional banks, and large banks. Done right, bank mergers are a healthy part of that system, but done wrong, they can be harmful, costly, and counterproductive for consumers, community banks, and society.

[Consolidation](#) in both the number of banks and in products and services has dramatically changed the landscape of the U.S. banking industry, reducing competition, concentrating risks, and increasing financial stability concerns. Currently, megabanks control the U.S. banking system:

- The four largest banks control about 40% of all assets in the banking system.
- The top ten banks hold about half of all deposits and all loans.
- JPMorgan Chase, Goldman Sachs, Bank of America, and Citigroup hold about 90% of the total notional amount of all derivatives contracts held by U.S. banks.

By many measures, consolidation is harmful to consumers and small businesses. For example, large banks offer [worse credit card terms and interest rates](#) than small banks and credit unions. A Consumer Financial Protection Bureau ("CFPB") study showed that the 25 largest credit card issuers charged customers interest rates of 8 to 10 points higher than small- and medium-sized

banks and credit unions. This difference equals \$400 to \$500 in additional annual interest for the average cardholder.

Question: Recently, the [Fed](#) and [Office of the Comptroller of the Currency](#) (“OCC”) approved the merger of Capital One and Discover despite a mountain of [evidence](#) showing that the decision will cost consumers, reduce competition in the market, and endanger financial stability. How was that evidence considered in the decision process to approve the merger. Similarly, how was the strong opposition from the public ([here](#) and [here](#)) considered in the process?

Question: Earlier this year, the FDIC and OCC rescinded rules related to merger policy that had recently been vetted and finalized. This made regulatory assessment of proposed mergers less able to protect consumers and the economy. But, as the OCC said in its [press release](#), the decision will “reduce burden and uncertainty for banks.” Why do you think it is right to prioritize big banks and their profits over consumers and financial stability?

4. Bank Supervision

One of the most important jobs of the Fed is bank supervision—regularly evaluating the condition of large and small banks.

The current large bank ratings framework requires that, to be considered “well managed,” large banks must **meet expectations in three core areas: capital, liquidity, and governance and controls**. If any of the three categories are found to be deficient, the bank is not considered to be “well managed,” and consequently, it faces possible restrictions on expansion, and it is subject to formal (public) or informal (non-public) enforcement actions to correct the causes of the deficiency.

The Fed’s recent changes to the framework dangerously undermine the effectiveness of the large bank rating framework:

- It weakened the definition of “well managed.” A large bank would only be required to earn “meets expectations” ratings in only **two of the three** broad categories being rated. In other words, the bank could be rated as **deficient** in one category and still be considered “well managed” overall.
- It reduced the use of enforcement actions stemming from supervisory assessments that promote more resilient and better-managed banks.

Question: As of the fourth quarter of 2024, the Fed [stated](#) that only 13 of the 36 large banks were considered “well managed.” Put differently, two-thirds of the largest banks in the country have serious deficiencies, according to your own

supervisory experts. Why did you change the rating system so that these deficiencies are ignored rather than fixed?

Question: The Fed [said](#) that it is more efficient to focus on only the most severe problems at large banks. It also said that fewer enforcement actions, which have historically incentivized banks to correct their problems, will enable large banks to focus on “innovation and growth.” However, the purpose of supervision is to promote safety and soundness, not “innovation and growth.” Why did you change the mission of bank supervision?

Furthermore, the Fed released an internal memo that outlined its new direction for bank supervision that – combined with the weakening of the large bank ratings framework – effectively destroys the Fed’s supervisory process and authority. Specifically, the Fed will:

- Focus on “material financial risks” rather than “process, procedures, and documentation”,
- Abdicate their supervisory duties for the depository institution to other federal and state regulatory authorities,
- Allow banks to determine when their issues have been resolved rather than the Fed’s own supervisory staff.

Question: Bank supervision involves assessing banks’ ability to manage their own risks, not direct risk evaluation. That is the job of a bank – it is supposed to be able to identify and manage its own risks, and supervisors are there to assess whether banks are doing so effectively. That means supervision is done by examining and assessing a bank’s processes, procedures, and documentation regarding its risk management practices. If you are instructing your supervisors to ignore process, procedures, and documentation, aren’t you effectively telling your staff not to conduct supervision?

Question: The Fed has supervisory authority over bank holding companies for a specific reason: the Fed’s job is to assess the organization as a whole. Such assessment is especially important for the largest bank holding companies, which are giant financial conglomerates with numerous subsidiaries that perform both bank and nonbank activities. If the Fed abdicates its supervisory responsibility to another authority, then it no longer will be able to assess the organization as a whole and interactions between the numerous subsidiaries. Again, aren’t you effectively telling your staff not to conduct supervision?

Question: Supervisory staff now are supposed to allow banks’ own internal audit functions to determine when supervisory issues have been fixed, unless a bank’s internal audit function is found to be deficient. However, if a supervisor identifies a serious deficiency that a bank’s internal audit function missed, doesn’t that imply that the internal audit function is deficient?

5. Community Reinvestment

Working Americans are no better off financially today, and in some cases, they are worse off than they were decades ago, despite decades of banks' claimed focus on community reinvestment. American families have recently been battered by inflation, income stagnation, wealth deprivation, and an economy rigged against them, no matter how hard they work.

In 2023, the Agencies finalized a new CRA rule. While not perfect, the 2023 rule took important steps in the right direction to improve community reinvestment activities by banks, and recognized the significant changes in banking since 1995, when the last CRA rule was last updated.

Now, the Agencies have decided to rescind the 2023 final rule, primarily based on the uncertainty that the industry's litigation has caused. The Agencies also explain that there has been a "change in agency priorities" since the 2023 rule was finalized.

Question: Debanking has also been an area of debate, but low-income and underserved communities are not a part of that conversation. Why are you not focused on these communities?

Question: You also [removed references to disparate impact](#) in fair lending examinations. Like the CRA, this work specifically protected against discriminatory actions by banks. Do you think this decision is in the best interest of the American people, specifically those who have been the victims of generations of discrimination?

6. Community Banks

The regulatory agency heads have all claimed many times to be supportive of community banks. But the record so far shows that they actually have been not only supportive of the largest banks but also, in fact, implementing every piece of the large bank industry agenda. Giving the largest banks more advantages ultimately hurts the ability of community banks to compete and survive.

In the last few months, individually and collectively, they have worked to implement the wish list of the largest banks at an incredible pace (the wish list has been publicly stated by the industry's lobbyists and is linked below). So far, they have proposed to:

- Significantly weaken large bank supervision through the large bank ratings framework,
- Cut the enhanced supplementary leverage ratio requirements for the largest banks by 15 to 30 percent
- Make changes to the large bank stress capital buffer requirement that will reduce its effectiveness, and
- Weaken the stress test results and allow large banks to game their stressed capital buffer requirements.

Also, they have announced that they will propose changes to:

- Greatly reduce the global systemically important bank surcharge capital buffer, and
- Water down the original Basel Endgame capital requirements.

All these changes will make the already huge advantage large banks have over community banks even bigger. It won't be an unlevel playing field anymore – community banks won't even be playing the same ballgame. To prove the point that the regulatory agencies don't care about true community banks, the OCC changed its definition of community banks to be banks with up to \$30 billion in assets. Banks of that size – or anywhere near that size – are not community banks, and it is a clear move by the OCC to move the goalpost and promote more consolidation in the banking sector.

To try to save face with real community banks in light of all these giveaways to large banks, VCS Bowman recently held a community bank conference that very clearly represented community banks in name only. That was apparent from her choice of keynote attendees, such as the CEOs of the private equity firm Blackstone and the controversial e-trading platform Robinhood. *In fact, when the CEO of Blackstone was asked what he would do if he were the CEO of a community bank, he said he would get funding to merge with a bunch of other community banks and form a “monster” bank. That response tells you the real agenda.*

Question: Given all the actions you are taking to favor large banks, how can you say that you are in favor of and working for community banks?

Question: After the finalization of upcoming changes to the large financial institution supervisory rating framework and the capital requirement framework, there will be very little difference between the supervision and regulation of the largest, most complex banks and community banks. Combined with their market power, this will give the largest banks an incredible advantage over community banks. Is your real goal to promote further consolidation in the banking sector and effectively eliminate community banks?

Question: Community banks account for 70% of all agriculture loans, 36% of all small business loans, and 30% of all commercial real estate loans, all well above their 15% share of total loans. They also approve loans to a broader set of borrowers than large banks through their unique “relationship lending” model. And, importantly, they lend 75 percent of their deposits to the real economy versus only 40 percent of deposits for the largest banks. Shouldn't the agencies be doing everything they can to support and grow community banks instead of supporting the largest banks?

7. Consumer Protection

One of the biggest losses during the first few months of the Trump Administration has been the [dismantling](#) of the Consumer Financial Protection Bureau (“CFPB”). The scope of the financial protections that have been ripped from consumers is staggering.

At the same time, the banking agencies have failed to support consumers on several fronts, including:

- There is currently no oversight and supervision for consumer protection at the largest banks in the country, which have the broadest reach and the most potential to harm consumers and the economy. With the shrinking of the CFPB, this is the most urgent need because consumer protection at these large banks is currently being ignored, as Fed Chairman Jerome Powell [confirmed](#) earlier this year in Senate testimony.
- The FDIC has not implemented safeguards and recordkeeping that are necessary to [protect consumers' money in custodial accounts](#). The [Synapse debacle](#) clearly showed what a danger this can be for depositors who—wrongly—believe their money is safe.
- The FDIC’s latest deregulatory [proposal](#) undermines its gold standard, reputation, and integrity with weaker rules that will make it harder to stop fraudsters and others from misleadingly, if not falsely claiming or suggesting, that money is protected by FDIC insurance.

Question: Why is it acceptable to allow the biggest banks in the country to operate without consumer protection examinations and supervision?

Question: Why is the FDIC prioritizing banks’ marketing goals and costs over clear signage for consumers?

8. Crypto

The dangers of cryptocurrency are in the news every day, detailing new risks, new scams, and new illegal activities related to it. Despite most banks—including 90% of community banks—saying they do not currently use crypto and have no plans to start, Trump’s banking regulators have been clearing the way to open the banking industry to crypto’s dangers.

- Recently, the OCC approved the application to open from crypto-focused Erebor Bank, with a focus on serving technology companies and ultra-high net worth individuals that use virtual currencies.
- The OCC issued an interpretive letter that allows banks to hold cryptocurrency for the purpose of paying blockchain network fees on behalf of customers.

- The Fed, OCC, and FDIC all rescinded policy statements on crypto, saying that banks should be monitoring and controlling their own risk and essentially saying regulators will clean up the mess after banks, consumers, and the economy are harmed.
- FDIC Chair Hill is working to expand crypto assets into the banking system. For example, he said, “deposits are deposits, regardless of the technology or recordkeeping deployed,” failing to mention the inherent volatility and danger of crypto assets.
- Under Chair Hill’s leadership, the FDIC released formerly confidential documents related to bank crypto-activities and supervisory actions.
- The Fed disbanded its “novel activities supervision program,” which focused on emerging tech issues like crypto in the banking system. Bowman said that crypto had become mainstream and that regular examination teams had gained sufficient knowledge of crypto that it no longer justified its own separate “novel” program.

Question: The vast majority of banks recognize the risks and dangers of crypto and have made the business decision to steer clear of it. Moreover, most consumers do not hold or use crypto. Why then are you allowing crypto into the banking industry?

9. Holistic Review

In [a speech](#) in June of this year, VCS Bowman laid out her priorities for supervision and regulation, a big part of which was about capital requirements for the largest banks. She argued that historically, the banking agencies have taken a “piecemeal” approach to setting each component of the capital requirement framework and that “the aggregate calibration of requirements is ultimately the most meaningful.” She then announced a conference for July of this year that would center around large bank capital requirements and take a more holistic approach to avoid taking a piecemeal approach going forward.

Yet less than three weeks after that speech and a full month before the large bank capital conference, the Fed, under her leadership, issued a proposal to make a significant change to a foundational component of the capital requirement framework – the enhanced supplementary leverage ratio. That move made it pointless to discuss that requirement at the conference and, importantly, made it impossible to discuss changes holistically.

Furthermore, she recently announced that very soon the Fed will be proposing changes to all other key components of the large bank capital requirement framework. Considering the timing, she must have known all along that all these changes were coming, since it takes months to put together these complex proposals.

The timing of these actions proves that the plan of the regulatory agencies under this administration is to use the very piecemeal approach that VCS Bowman criticized to obscure their ultimate goal of significantly and recklessly lowering capital requirements for the largest banks.

The true holistic impact of their deregulatory actions around large bank capital requirements – based on Better Markets analysis – is to [lower capital levels for the largest banks to the grossly insufficient and dangerous levels those banks had before the 2008 Crash](#).

Question: If you believe "the aggregate calibration of requirements is ultimately the most meaningful," why have you not released an analysis showing the aggregate calibration of requirements after all your deregulatory efforts?

Question: Will you commit to publicly releasing an analysis that details the holistic impact of all your deregulatory efforts on the capital framework?

10. Corporate Banks

There is a long history in the U.S. of ensuring the separation between banking and commerce, and for good reason. The Bank Holding Company Act, passed in 1956, prohibits bank holding companies from engaging in commercial activities and from controlling (or being controlled by) commercial enterprises. This longstanding policy was specifically designed to prevent the dangers associated with banking and commercial conglomerates, including:

- Excessive concentrations of financial and economic power and political influence;
- Conflicts of interest that would compromise the ability of banks to act as objective providers of credit and other financial services; and
- Heightened risk of contagion between the financial and commercial sectors of our economy, greatly increasing the likelihood of systemic crises that would require huge bailouts to avoid devastating financial, economic, and social consequences.

Unfortunately, the FDIC Chair Hill is ignoring decades of research and FDIC experience that demonstrate the risks of corporate banks. In July 2025, Hill rescinded a [proposed rule](#) that would have taken much-needed action to strengthen regulatory control of corporate banks and protect the financial system. But Hill has gone even further, [inviting](#) more corporate banks to open. This invitation led to five applications to open [new corporate banks](#) in the first half of 2025 alone, outnumbering the applications for new traditional banks during the same period. This trend contrasts with the 23 applications for new traditional banks received by the FDIC in 2023 and 2024 combined, none of which were corporate banks.

Question: Why are you working to give large corporations more of a competitive advantage in the financial market?

Question: Why does it make sense to ignore decades of research and experience about the risks of corporate banks and start with a blank sheet of paper?



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