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Modernizing Banking Supervision: A Shared Agenda for the Americas

Remarks by

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(via pre-recorded video)

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Good morning.[1] I would like to thank our hosts, the Banco Central do Brasil, the Association of Supervisors of Banks of the Americas (ASBA), the Basel Committee on Banking Supervision (BCBS), and the Financial Stability Institute, for bringing us together. Banking supervisors around the world are tasked with ensuring the safety and soundness of the banking system. To be effective in this work, bank supervisory and regulatory frameworks must be forward looking to anticipate future risks. Today, I will discuss three ways in which modernizing our supervision and regulatory frameworks can enhance our ability to be effective.

First, we must learn the appropriate lessons from failures of supervisory effectiveness. Recent experience in the United States demonstrates that it is not sufficient to identify financial risks. Supervisors must also have the authority, accountability, and judgment to act before those risks are realized.

Second, our regulatory and supervisory frameworks must be regularly revisited to keep pace with the evolving financial landscape. These frameworks must focus on the most material risks, enable timely decisions, and adapt to rapidly changing financial markets and technologies. This is a priority both for the Federal Reserve and our international colleagues, including those on the Financial Stability Board (FSB) and the BCBS.

Third, banking supervisors throughout the Americas must be effective. Our shared history, deeply interconnected economies, and regional financial challenges support alignment of our interests in maintaining strong institutions for supervisory cooperation. ASBA can play a role in that effort.

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[1] The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

These points are closely related. Effective supervision requires sound judgment. Sound judgment must be supported by modern frameworks. And cooperation among supervisors in the Americas supports strengthening both.

Learning from Banking Failures: Information Must Lead to Action

One of the most valuable responsibilities of any supervisory authority is to learn the right lessons from failure and adjust accordingly.

The March 2023 failure of Silicon Valley Bank (SVB), and subsequent discussions about what went wrong and paths for reform, provide a useful case study. Extraordinary measures were taken to address banking system stress in the wake of SVB's failure, and fundamental questions remain regarding the effectiveness of the Federal Reserve System's supervisory function. Earlier reviews of the bank's failure provided important information but did not consider questions about shortcomings in the Federal Reserve's supervisory approach or identify opportunities to address long-standing weaknesses in our supervision. When I became Vice Chair for Supervision, I initiated an independent review of SVB's failure.

The initial findings of that review released in September were sobering. The review validated that supervisors identified the bank's fundamental vulnerabilities well before its failure.[2]

Those vulnerabilities included substantial interest rate risk, a highly concentrated and predominantly uninsured deposit base, and inadequate preparedness to meet liquidity demands. These were not unfamiliar or complicated risks to understand. They have been

[2] See Michelle W. Bowman, "Initial Findings from Independent Review of Silicon Valley Bank," speech delivered at the Luncheon of the Lord Mayor City of London at Mansion House, London, United Kingdom, September 18, 2026, https://www.federalreserve.gov/newsevents/speech/bowman20260918b.htm.

common risks throughout history, were present at the time of SVB's failure, and continue to be fundamental banking risks today. Yet our supervisory process failed to produce timely and effective action to address them.

A central lesson is that the failure of supervision was not a failure to obtain information. It was a failure to translate information into timely, decisive action. The review identified a long-standing supervisory problem of consultation without conclusion or action, uncertainty about decisionmaking authority, and a lack of accountability. Supervisors identified concerns, documented weaknesses, and discussed vulnerabilities. But the process did not result in prompt action to require the bank to address material risks that ultimately led to its failure.

One particularly revealing finding illustrates the problem. Between 2019 and March 2023, supervisors cited 54 supervisory matters that required attention. Yet no finding required SVB to shorten the maturity profile of its securities portfolio or restructure the held-to-maturity book, which were material financial risks that contributed to the bank's failure. Instead, many supervisory findings focused on process concerns. While interest rate risk was discussed, the approach criticized how the bank measured the risk but did not direct the bank to reduce it.

Supervisors engaged in extensive supervisory activity, produced considerable documentation, and created a substantial record of identified concerns. But the risks that were most material—the risks that affected the bank's financial condition—were not addressed. This experience should encourage every supervisory authority to consider how it measures its own effectiveness. We should not measure success by the number of examinations conducted, findings issued, and reports produced. Instead, we must

measure success by whether our work results in the timely identification, mitigation, and remediation of material risks.

A supervisory organization can be extraordinarily busy without being effective. Excessive process can become a major obstacle to effective supervision. When responsibility is unclear, when decisionmaking authority is fragmented, or when supervisors believe that every judgment must be supported by perfect information, the supervisory process can delay action until it is too late.

The independent review showed that these organizational and cultural weaknesses can have serious consequences. Supervisory decisions must be grounded in sound analysis, appropriate legal authority, and professional judgment. But those decisions must also be timely. A supervisory judgment that arrives after the opportunity for effective intervention has passed may have little practical value.

Our goal must be to reach reasonably informed decisions in time to influence outcomes, rather than achieving perfect certainty after the opportunity to act has passed. This lesson becomes even more important as supervisory authorities adopt new technology. Artificial intelligence (or super intelligence), advanced analytics, and other supervisory technologies have the potential to improve the identification of emerging risks and our understanding of complex financial relationships.

This can provide supervisors access to more information more quickly than ever before. But more information is not necessarily better supervision. The SVB experience should remind us that information alone is not a substitute for judgment and timely action.

Therefore, our approach must be to modernize supervisory culture while upgrading our supervisory technology. Clear lines of responsibility and decisionmaking authority are imperative. The ultimate measure of successful and effective supervision is the ability to recognize material risks and act effectively while there is still time to influence the outcome.

Modernizing Our Supervisory and Regulatory Frameworks

Second, we must ensure our regulatory and supervisory frameworks enable the identification of material risks, sound decisionmaking, and supervisory response in a rapidly changing financial system.

Our priorities should be to ensure supervisors are trained to identify and focus attention on material risks, enable timely decisionmaking and clear accountability, and establish a regulatory framework that encourages innovation without compromising safety and soundness.

The Federal Reserve is pursuing each of these objectives.

First, we are modernizing the conduct of supervision. Our Statement of Supervisory Operating Principles refocuses supervision on identifying material risks and taking prompt, proportionate action to address them.

The principles emphasize risk-focused supervision, tailored to the size, complexity, and risk profile of individual institutions. They call for clearer expectations, greater transparency, and the exercise of sound professional judgment rather than excessive reliance on procedural requirements, checklists, or documentation. They also seek to align examination findings and supervisory ratings more closely with material risks, reduce unnecessary duplication, and streamline the resolution of supervisory

concerns. Our objective is not to produce more supervisory findings or more documentation. It is to ensure that supervision identifies the risks that matter most and results in timely action to address them.[3]

Second, we are changing how we organize the supervisory function itself.

The independent review highlighted a fundamental organizational weakness, a mismatch between decisionmaking authority and accountability. The Federal Reserve's supervisory responsibilities have historically been carried out through a complex structure involving the Board, the 12 Reserve Banks, and numerous committees. That structure has not always provided accountability, identified clear lines of responsibility, or supported timely decisions.

To address these shortcomings, we have begun reorganizing our supervisory function. The reorganization preserves the expertise and relationships of local examination teams while providing clearer lines of accountability through regional leadership. This reorganization is intended to clarify decisionmaking authority, streamline escalation, reduce unnecessary layers of review, and strengthen accountability for supervisory outcomes. We are also examining the role of committees and other internal processes that can cloud responsibility or delay action.

When supervisors identify a material risk, there should be no ambiguity about who has the authority to act, who is responsible for ensuring that action is taken, and the importance of elevating decisions for prompt action when necessary.[4]

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[3] See Board of Governors of the Federal Reserve System, "Federal Reserve Board Releases Information Regarding Enhancements to Bank Supervision," press release, November 18, 2025, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20251118a.htm; the Updated Statement of Supervisory Operating Principles is available on the Board's website at https://www.federalreserve.gov/supervisionreg/updated-statement-of-supervisory-operating-principles.htm.

[4] See Michelle W. Bowman, "Modernizing the Regulatory and Supervisory Landscape," speech delivered at the 2026 Community Banking Research Conference, sponsored by the Federal Reserve System, the

Third, our regulatory and supervisory frameworks must keep pace with innovation.

Financial markets and technology are evolving rapidly. Artificial intelligence, digital assets, payment technology, and innovative business models create opportunities to improve efficiency, expand financial services, and support economic growth. Our responsibility is to establish clear and predictable rules of the road so that financial institutions can confidently pursue responsible innovation while managing the material risks associated with new activities. This requires a careful balance.

Regulatory frameworks that are overly prescriptive or unnecessarily burdensome can discourage innovation, limit competition, and push financial activity outside the regulated banking system. But uncertainty about regulatory expectations can also discourage innovation. Financial institutions need to understand the standards that apply to new activities and the risks they are expected to manage.

A modern regulatory framework should provide clarity about objectives and expectations while allowing sufficient flexibility for financial institutions to develop new products, adopt new technology, and respond to changing market conditions.

These three elements—risk-focused supervision, clear organizational accountability, and adaptable regulation—are also central to the broader international modernization agenda.

As chair of the FSB's Standing Committee on Supervisory and Regulatory Cooperation, I have worked with colleagues from around the world to develop common principles to guide modernization efforts.

Conference of State Bank Supervisors, and the Federal Deposit Insurance Corporation, St. Louis, Missouri, October 6, 2026, https://www.federalreserve.gov/newsevents/speech/bowman20261006a.htm.

In October, the FSB released a consultation report proposing eight high-level principles intended to help authorities improve the effectiveness, efficiency, risk focus, coherence, and adaptability of their regulatory and supervisory frameworks.

The principles recognize that our frameworks must remain responsive to emerging financial risks and technological developments. They emphasize appropriate tailoring, transparency, and accountability as well as the importance of periodically evaluating whether regulatory requirements remain fit for their intended purposes.

As the FSB and the BCBS carry this work forward, they must take care that the assumptions underlying work commissioned in response to bank failures like that of SVB are appropriately validated. Post-failure analyses can embed untested assumptions about what went wrong and what should be done about it, and those assumptions can then be relied upon to shape international standards. Before such conclusions inform global policy, they should be tested against the evidence and confirmed across different jurisdictions and banking models.

Importantly, the principles acknowledge that implementation must reflect national legal frameworks and circumstances.[5]

That recognition is especially relevant to the Americas, where banking systems differ considerably in their size, structure, complexity, and economic roles.

Modernization does not require every jurisdiction to adopt identical institutional arrangements or supervisory practices. It should provide a common set of principles that can be implemented effectively within different financial systems. What matters is that our frameworks produce the outcomes we need: timely identification and mitigation of

[5] See Financial Stability Board, *Regulatory and Supervisory Modernisation Principles* (FSB, October 2026), https://www.fsb.org/2026/10/regulatory-and-supervisory-modernisation-principles-consultation-report/.

material risks, clear accountability, predictable regulatory expectations, and the flexibility to respond to change.

Strengthening the Supervisory Community in the Americas

The third and final topic for my discussion today is the importance of strengthening practical cooperation among the community of supervisors in the Americas.

This priority has taken on particular importance in light of recent developments in banking systems throughout the hemisphere. Recent episodes of banking stress serve as a reminder of how quickly financial vulnerabilities can become more serious, and how important the strength and credibility of supervisory institutions can be to maintaining public confidence.

They also underscore the broader lesson that effective supervision depends not simply on the existence of rules, but on the ability of institutions and their supervisors to implement those rules, exercise sound judgment, and take action when it is needed. They also provide further support for strengthening the relationships, technical capabilities, and practical cooperation among supervisors across our hemisphere. But there is another reason why cooperation among the countries of the Americas deserves particular attention.

The Americas are a community of countries with deep historical, commercial, financial, and institutional connections. Our banking systems are linked through trade finance, investment, cross-border lending, payments, and remittances. Economic developments in one part of the hemisphere can have direct and sometimes immediate consequences for financial institutions and communities elsewhere in the region.

These connections support economic growth and financial development. But they also create transmission channels for financial stability risks. We have seen this repeatedly throughout our shared history. The Latin American debt crisis of the 1980s provides one important example.[6] As debt-servicing difficulties spread across Latin America, they posed serious challenges both for the countries directly affected and for international banks with significant exposures throughout the region. The response required extensive cooperation among governments, central banks, commercial banks, and international financial institutions. That cooperation was indispensable. However, the crisis imposed enormous economic costs, and some responses delayed the resolution of underlying vulnerabilities. The experience demonstrated a fundamental reality—that financial stability risks do not respect national boundaries, and effective responses often require close cooperation among authorities across borders.

More than four decades later, financial relationships throughout the Americas have become more extensive and complex. But our common interests extend beyond managing financial stability. Our banking systems confront a range of shared challenges, including exposure to cross-border capital flows, commodity cycles, exchange rate movements, and shifts in international financing conditions. Our shared challenges also include the opportunities and risks associated with digital banking, new payments technology, and the growing use of artificial intelligence. There are also challenges that have a particularly significant regional dimension, like remittances and cross-border payments that are critically important to households and businesses throughout the Americas.

[6] More information on the Latin American debt crisis is available on the Federal Reserve History website at https://www.federalreservehistory.org/essays/latin-american-debt-crisis.

The efficiency, accessibility, and integrity of these financial channels have important implications for financial inclusion and economic opportunity. At the same time, financial institutions and supervisors must contend with threats arising from money laundering, fraud, illicit financial networks, and transnational criminal organizations. These threats can permeate borders, crossing multiple jurisdictions, and place significant demands on supervisory resources.

These threats reinforce the importance of strong supervisory relationships, effective information sharing, and coordination among authorities.

International standard-setting bodies such as the Basel Committee, the FSB, and the Financial Stability Institute offer useful reference points and forums for dialogue. Global standards can be a helpful input. But they do not replace the working relationships, regional knowledge, and practical coordination that develop among authorities facing common challenges. They work best when they acknowledge and incorporate national and regional circumstances. This is where I see a valuable role for ASBA. It can provide a forum devoted to the financial systems, supervisory challenges, and institutional relationships of the Americas. Its strength is its regional focus. Bringing together supervisors from across the hemisphere, ASBA can help ensure that our regional priorities receive the attention they deserve, that our supervisory authorities develop the capabilities they need, and that the practical experience of each member country informs the continuing development of international supervisory standards.

We should continue building on this important role for ASBA. I see several opportunities to strengthen that role.

First, we should deepen the exchange of practical supervisory lessons.

The experience of SVB demonstrates why this is important. We should be willing to carefully examine bank failures and supervisory challenges, identify the institutional and operational factors that contributed to them, and determine how those lessons can improve supervisory practice. These exchanges should go beyond identifying vulnerabilities in individual institutions. They should examine how supervisors make decisions, how concerns are escalated, and how institutional arrangements can either facilitate or delay effective action. ASBA can facilitate that exchange through case studies, technical discussions, and practical training.

Second, we should strengthen supervisory leadership and institutional capabilities.

Technical expertise is essential to effective bank supervision. But the ability to identify risks is only part of the job. Supervisors must also be able to prioritize competing concerns, exercise professional judgment, communicate difficult conclusions, and take timely action. These capabilities can be strengthened through leadership development, secondments, professional exchanges, and realistic supervisory exercises. Strong supervisory institutions also require clear governance arrangements, well-defined responsibilities, and accountability for decisions. Building these capabilities should be an important focus of our regional cooperation.

Third, we should cooperate more closely on emerging technologies and new financial activities.

Artificial intelligence, digital banking, cybersecurity, and innovative payments technologies present many of the same questions for supervisors throughout the hemisphere. How can these technologies improve risk identification and supervisory efficiency? How should supervisors evaluate the risks associated with new business

models? These questions will benefit from practical cooperation. There is significant value in sharing experience with supervisory technologies, analytical methods, and approaches to emerging risks, rather than requiring every authority to develop solutions independently.

Fourth, we should continue strengthening cross-border crisis preparedness and supervisory relationships.

Relationships established during stable periods can become indispensable as financial conditions deteriorate. When an internationally active bank encounters serious difficulties, timely communication through previously established channels for cooperation can make a meaningful difference. Supervisors should understand the responsibilities of their counterparts, have established mechanisms for exchanging appropriate information, and be prepared to coordinate when circumstances require it. We should continue investing in those relationships now.

Finally, I believe the Americas should play an active role in shaping the international modernization agenda.

The FSB's proposed principles create an important opportunity for this engagement. ASBA can help bring practical supervisory experience into international discussions, identify implementation challenges, and contribute to improving the effectiveness of international standards.

Regional cooperation should not simply be a mechanism for transmitting standards developed elsewhere. It should also help inform the continuing development and practical implementation of those standards. As we pursue regulatory and

supervisory modernization, I hope that ASBA will continue to be an active partner in this work.

The Federal Reserve values its relationships with supervisory authorities throughout the Americas, and we look forward to strengthening those relationships through ASBA and our other bilateral and multilateral partnerships. Together, our objective should be to strengthen supervisory effectiveness, improve the resilience of our banking systems, and support the financial intermediation that is essential to economic prosperity.

In the Americas, we have a special opportunity to do that together by strengthening our supervisory capabilities, deepening our cooperation, and ensuring that ASBA remains responsive to the distinctive needs and priorities of our region.

Closing Thoughts

The lessons of SVB are clear: identifying risk is not enough. Supervision succeeds only when information leads to timely, decisive action. As we modernize our frameworks, we must focus on material risks, establish clear accountability, and remain adaptable to innovation, while recognizing that each jurisdiction will implement these principles in ways suited to its individual system.

I will conclude with a call to use venues like ASBA to share the hard lessons of failure, to build supervisory leadership and capability, to cooperate on emerging technology, and to invest now in the cross-border relationships needed in a crisis. Let us bring these shared experiences into the FSB's modernization work, so that the principles reflect the realities of the Americas.