BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF SUPERVISION AND REGULATION

Date:	September 24, 2026
From:	Randall D. Guynn (Director) and Julie Williams (Acting Deputy Director for Supervision)
Subject:	Updated Statement of Supervisory Operating Principles

This Updated Statement of Supervisory Operating Principles supplements and supersedes the Statement of Supervisory Operating Principles dated April 21, 2026. We have updated it to reflect the key preliminary findings in Starling's independent review of Silicon Valley Bank's (SVB's) failure and other feedback we have received from the public and supervisory staff since the April update.

On August 6, 2025, Acting Director Mary Aiken shared Vice Chair for Supervision (VCS) Miki Bowman's priorities and operating principles. The Vice Chair's priorities and principles provide an outline of broad changes to the conduct of supervision, including both what we do and how we do it. The goal of these changes is to strengthen supervision by focusing it on identifying and taking timely proportionate action as early as possible to eliminate the most important risks threatening the safety and soundness of banking organizations. These changes represent a significant shift from past operating practices.

The primary objectives of supervision are the following:

- Identify as early as possible significant threats to the safety and soundness of a Board-supervised banking organization and to U.S. financial stability and any violation of law or regulation.
- Encourage or direct each Board-supervised banking organization to take decisive and proportionate action to eliminate or mitigate those threats and violations as promptly as possible.

The principles in this statement, including its probability and severity framework for issuing matters requiring attention (MRAs) or matters requiring immediate attention (MRIAs) based on a threat to safety and soundness or enforcement actions based on an unsafe or unsound practice, need to be read and applied in a manner that is consistent with promoting these primary objectives.

Key Preliminary Findings in Starling's Independent Review of SVB

Starling's preliminary report on its independent review of SVB included the following key preliminary findings on supervision:

- Board and Reserve Bank supervisory leadership and staff knew or should have known as early as March 2022 that SVB was highly vulnerable to significant losses on its large bond portfolio and a run on its deposits if interest rates rose.
- Despite what they knew or should have known, supervisory leadership and staff did not take prompt, decisive, and proportionate action to require SVB to reduce its interest-rate risk or liquidity risk.
- The failure to take supervisory action was not because of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) tailoring statute or a less assertive supervisory culture instituted by a former VCS.
- Instead, one reason for this failure was a long-standing culture of excessive risk aversion and indecision, and decision-making by committee consensus.

- The run on SVB was not triggered or accelerated by social media; the chatter on social media about the run did not arise until after the run was well underway and SVB's failure was inevitable.

Initially, we are going to focus on addressing the finding that for decades there has been a culture of excessive risk-aversion and indecision in Federal Reserve supervision on the most significant vulnerabilities of banking organizations, but not on their least significant vulnerabilities. To address that finding, we are going to take steps to foster a culture of appropriate risk-taking and empowerment to help ensure that all supervisory leadership and staff are taking prompt, decisive, and proportionate action to address deficiencies that threaten the safety and soundness of a banking organization or U.S. financial stability. To give supervisory staff more confidence that they can take prompt, decisive, and proportionate actions to address significant vulnerabilities without fear of reprisal, we will not criticize staff for making mistakes in good faith if they turn out, in retrospect, to be reasonable, honest mistakes. In addition, examination teams will be asked to submit regular reports to their Reserve Bank leaders. These reports will identify any supervisory issues or concerns that examiners may be uncertain about, including whether the standard for taking action is met or whether such action might be inconsistent with expectations of the Board or Reserve Bank leadership. This will also give leadership regular visibility into where clearer guidance may be needed.

Supervisory Operating Principles

- Examiners and other supervisory staff should be focused on the responsibility of the Board to promote the safe and sound operation of banks and the stability of the U.S. financial system. In furtherance of this mission, examiners are encouraged and expected to use their reasoned judgment.

- Examiners and other supervisory staff should prioritize their attention on risks that pose a significant probability of significant harm to the financial condition of the firm, one or more other firms, the Deposit Insurance Fund (DIF), the firm's resolvability, or U.S. financial stability.
  - They should not become distracted from this priority by devoting excessive attention to processes, procedures, and documentation that do not pose a significant risk to a firm's safety and soundness or U.S. financial stability.
  - Examiners and other supervisory staff can address shortcomings that do not rise to the level of MRAs or MRIAs by making supervisory observations. We will be amending SR 13-13 to reverse its directive to eliminate supervisory observations.
  - Adding observations as an option gives examiners more flexibility to calibrate their responses and differentiate among vulnerabilities based on their relative seriousness.

- When evaluating and rating bank holding companies, savings and loan holding companies, and the U.S. operations of foreign banks, the Gramm-Leach-Bliley Act of 1999 requires examiners to rely to the fullest extent possible on the examinations and other supervisory work by the primary state or federal banking supervisor for their depository institution subsidiaries other than state member banks.
  - Federal Reserve supervisory staff should not conduct their own examination of the depository institution subsidiaries unless it is not reasonably possible for the Federal Reserve to rely on the examination of the depository institution's primary state or federal supervisor.
    - This not reasonably possible standard could be met if the depository institution's primary state or federal supervisor does not provide the Board with timely access to all supervisory information that is in the possession of the primary federal or state supervisor.
    - It would not be met simply because we might do examinations differently.

    - Board S&R and Reserve Bank staff should tailor their supervision based on the size, complexity, systemic importance, and resolvability of a particular banking organization, using relatively more resources on large, complex, and more systemic organizations and relatively less resources on smaller, less complex and less systemic organizations.

- When evaluating and rating state member banks for which the Federal Reserve is the primary federal supervisor, examiners should work jointly with the state banking agency.
    - For state member banks eligible for an alternate-year examination program (AEP), which allows every other examination to be conducted by the state banking agency along with Federal Reserve examiner presence, examiners should rely to the extent possible on the state banking agency's examination work and conclusions in the alternating years.
    - See above about information sharing.

- Examiners and other supervisory staff need to change the way they decide whether an MRA, MRIA or requirement in an enforcement action can be terminated because the underlying deficiency has been fully remediated.
    - They should not perform their own duplicative validations of whether a firm has fully remediated an MRA or MRIA or requirement in an enforcement action unless Board or Reserve Bank supervisory staff has determined that the firm's internal audit function (including an internal auditor) is ineffective or unsatisfactory, the firm does not have an internal audit function, or the firm's internal audit function has not validated the remediation.
        - Instead, they should assess internal audit's validation and, if satisfactory, rely on an institution's internal audit for validations unless one of the conditions above has been satisfied.
    - They should not delay the termination of an MRA, MRIA or requirement in an enforcement action if the underlying deficiency has been fully remediated. If the requirements in an enforcement action have been substantially complied with, the examination team should consider whether it would be appropriate to terminate the enforcement action and, if necessary, replace it with an MRA or MRIA. To evaluate substantial compliance, the examination team should determine that any outstanding deficiencies are limited in scope, management has the ability to perform the remaining work, and compensating controls, if necessary, have been adopted to address any near-term weaknesses while the remediation is ongoing.
    - Nor should they test whether the remediation is sustainable over a period of time.
        - Instead, they should:
            - terminate the MRA, MRIA or requirement in an enforcement action as promptly as possible after each deficiency underlying the MRA, MRIA or requirement has been fully remediated; and
            - issue a new MRA or MRIA, or take more forceful action, if the remediation turns out not to be sustainable.
    - Examiners and other supervisory staff should not conduct additional reviews or "capstones" on issues not directly related to any of the deficiencies identified in an enforcement action or on risks that are not a material threat to a firm's safety and soundness before terminating an enforcement action.

- The GSIB and LFBO portfolios should no longer conduct horizontal reviews unless the Deputy Director for Supervision determines that the benefits of a particular horizontal review to the safety and soundness of the banking organizations being reviewed or the stability of the U.S. financial system outweigh the associated costs.
    - Assessments based on horizontal reviews should be measured against supervisory expectations, not against whatever practice within the peer group is considered to be the best.

    - The results of the horizontal reviews should be confidentially disclosed to the banks that are reviewed, including comparisons across the in-scope institutions.

- Examiners and other supervisory staff should not discourage or prohibit firms from taking into account liquidity available from the Federal Home Loan Banks (FHLBs) in managing their liquidity or performing their internal liquidity stress tests unless required by law or regulation.
    - Similarly, they should not require firms to preposition assets at the discount window as a condition to future discount window secured borrowings.

- There should not be any material differences between the supervisory criticisms communicated in the final exit meeting for an examination and those contained in the written examination report.

- Supervisory ratings should accurately reflect an institution's financial condition and material financial risks.
    - The management and risk management components of CAMELS and RFI/C (D) ratings should not be given more weight than the other components in determining a firm's composite rating.
    - All component ratings should be considered and weighed based on their materiality to the institution.

- Examiners and other supervisory staff will no longer be permitted to communicate MRAs and MRIAs in vague or overbroad language.
    - Instead, they will be required to communicate MRAs and MRIAs in plain language, describing any deficiency underlying an MRA or MRIA with sufficient specificity so that a typical bank employee can readily know what such deficiency is and what a non-deficient state would be.
    - They should encourage meaningful dialogue and discussion between examiners and bank representatives. Examiners and other supervisory staff should:
        - Promptly respond to each institution's questions to provide clarity when requested.
        - Listen and invite feedback from an institution as to whether a particular MRA or MRIA is justified, around any lack of clarity of the issue, our expectations, or the path to remediation.
        - But in the end, we decide whether to issue a supervisory observation, MRA, MRIA, or enforcement action.

- MRAs, MRIAs, and Enforcement Actions
    - Generally speaking, MRAs and MRIAs should prioritize financial or nonfinancial deficiencies that could have a significant impact on the financial condition of a firm or one or more other firms, the DIF, the firm's resolvability, or U.S. financial stability, rather than focusing on procedural or documentation shortcomings that do not significantly threaten the safety and soundness of the firm or other firms, the DIF, the firm's resolvability, or U.S. financial stability.
    - Board or Reserve Bank supervisory staff may issue an MRA or MRIA based on a threat to the safety and soundness of a Board-supervised banking organization if they determine in good faith that a financial or nonfinancial deficiency exists that, if not remediated in a timely manner, would create a significant probability of significant harm to the financial condition of the banking organization or one or more other banking organizations, the DIF, the firm's resolvability, or U.S. financial stability, or has resulted in significant actual harm to the financial condition of the banking organization or one or more other banking organizations, the DIF, the firm's resolvability, or U.S. financial stability.
    - Board or Reserve Bank supervisory staff may issue an enforcement action based on an unsafe or unsound practice by a Board-supervised banking organization if they determine in good faith that an act or failure to act by the banking organization would, if not remediated in a timely manner, create an abnormal probability of abnormal harm to the financial condition of the banking organization or has resulted in abnormal actual harm to the financial condition of the banking organization.
    - Abnormal means substantially higher than normal or significant.

    - The Vice Chair for Supervision or the Vice Chair's delegate may grant exceptions to the probability and severity standards set forth above to the extent permitted by law.
    - Board and Reserve Bank supervisory staff should use currently available tools to estimate in good faith the severity of a particular deficiency to the financial condition of Board-supervised banking organizations or one or more other banking organizations, the DIF, the firm's resolvability, or U.S. financial stability.
    - Unless and until tools are developed to reliably estimate the probability of significant harm to the financial condition of a firm, the good faith standard will be satisfied with respect to probability if the supervisory staff has sufficient evidence that significant harm is plausible.
    - If a deficiency may present a significant probability of significant harm to a supervised banking organization's safe and sound operation or resolvability, but assessment of probability or severity is unclear, the issue should be escalated up the management chain for review and consideration.
    - At this time, supervisory staff are not required to use any quantitative indicator to decide whether the potential harm from a particular deficiency would be significant. However, we are considering various quantitative indicators that could, in the future, help supervisory staff determine in good faith whether the potential harm from a particular deficiency would be significant.

- Board and Reserve Bank supervisory staff should work together to maintain, develop, and continuously improve forward-looking tools to identify significant threats to the safety and soundness of Board-supervised banking organizations and to U.S. financial stability.

- A Board-supervised banking organization is encouraged to discuss a failure to comply with any of the supervisory operating principles contained in this statement by contacting the Head of Supervision of the relevant Reserve Bank or the Board's Deputy Director for Supervision.

- Consistent with the primary objectives of supervision, Board and Reserve Bank supervisory staff should use their supervisory authority to facilitate the early resolution of troubled insured depository institutions to minimize the long-term cost to the Deposit Insurance Fund as contemplated by 12 U.S.C. 1823 note.

- If a Board-supervised banking organization self-identifies a deficiency that would otherwise satisfy the standard for an MRA or MRIA based on a threat to safety and soundness and promptly starts remediating that deficiency in a manner determined to be reasonable by Board or Reserve Bank supervisory staff, the deficiency will presumptively be treated as giving rise to a supervisory observation rather than an MRA or MRIA.