United States Senate

WASHINGTON, DC 20510

August 6, 2025

The Honorable Michelle Bowman
Vice Chair for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551

The Honorable Jonathan Gould
Comptroller
Office of the Comptroller of the Currency
400 7th Street SW
Washington, D.C. 20219

The Honorable Travis Hill
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

cc: The Honorable Scott Bessent, Secretary, United States Department of the Treasury

Dear Vice Chair for Supervision Bowman, Comptroller Gould, and Acting Chairman Hill:

We write to express our gratitude for your efforts to enhance the federal bank supervisory framework. Recent actions to eliminate reputational risk from bank supervision and revise the supervisory rating framework for bank holding companies are positive steps toward removing subjectivity and restoring functionality. We also commend your efforts to ensure properly tailored regulation, including the proposal to modify the enhanced supplementary leverage ratio and your plans to consider revisions to capital requirements for community banks.[1] As part of your review of the broader supervisory framework, we urge you to also consider shortcomings related to the Matters Requiring Attention (MRAs) process.

As you know, MRAs are supervisory findings identified during bank examinations that highlight deficiencies or violations of law and require remediation. Banks are generally expected to develop and implement plans to address MRAs within a reasonable timeframe to maintain safety, soundness, and compliance, as well as avoid escalating the warning to a Matter Requiring Immediate Attention (MRIA), a rating downgrade, or an enforcement action. If used effectively, these are valuable supervisory tools that can mitigate broader issues and maintain financial stability. However, we are concerned that the lack of structure, uniformity, and legal basis has allowed the MRA process to become increasingly opaque, ineffective, and inconsistent.

First, MRAs are not explicitly mentioned in any law or regulation, and instead were created by regulatory agencies through informal guidance, without public notice or comment. Nevertheless, as the name would suggest, MRAs are treated as requirements. We are concerned that the absence of a clear legal framework provides individual agencies with broad discretion, which has allowed the process to devolve into a subjective supervisory tool, vulnerable to inconsistent

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[1] https://www.federalregister.gov/documents/2025/07/10/2025-12787/regulatory-capital-rule-modifications-to-the-enhanced-supplementary-leverage-ratio-standards-for-us; and https://www.federalreserve.gov/newsevents/speech/bowman20250606a.htm (In a June 6, 2025 speech, Vice Chair for Supervision Bowman stated "we will review and consider the community bank framework, including capital requirements like the calibration of the community bank leverage ratio".

application. For instance, the Office of the Comptroller of the Currency (OCC), Federal Reserve, and Federal Deposit Insurance Corporation (FDIC) have each developed their own internal definitions and standards for issuing and resolving MRAs. These fragmented interpretations can create confusion for financial institutions, particularly around expectations for remediation, severity of findings, and regulatory consequences.

Additionally, banks have no formal path to challenge MRAs, many of which are not clearly grounded in "safety and soundness" principles. This is further hindered by the highly confidential nature of MRA information.[2] At the same time, regulators face no real consequences for failure to follow up, escalate, or ensure resolution, even when the bank's condition clearly, materially deteriorates. The absence of a true materiality threshold also opens the door for the misuse – or overuse – of MRAs, which risks diluting the urgency and credibility of these supervisory warnings, and can undermine the seriousness of legitimate safety and soundness concerns.

These deficiencies were highlighted following the March 2023 failure of Silicon Valley Bank (SVB). While the demise of SVB stemmed from a failure in internal risk management practices and regulatory complacency, it exposed fundamental flaws in the MRA process – a process typically shielded from scrutiny due to its overly stringent confidentiality requirements. Prior to its collapse, which cost the FDIC's Deposit Insurance Fund approximately $20 billion, SVB had a significant number of active MRAs and MRIAs – some even dating back multiple examination cycles. In fact, the bank ended 2022 with 31 open MRAs/MRIAs, which remained unresolved until the bank closed on March 10, 2023.[3] Several of these findings reflected known safety and soundness deficiencies in liquidity risk management and interest rate risk modeling – both primary contributors to the bank's ultimate collapse. Alarmingly, six MRAs/MRIAs specifically regarding "liquidity risk management and positions" remained unresolved for sixteen months. Yet, despite the seriousness and volume of these warnings, the regulators disregarded their own findings, including failing to downgrade the firm's ratings – SVB maintained a satisfactory rating for both management and liquidity.[4] Further, many of the bank's remaining active MRAs focused on vague and often redundant governance issues that did not pose a material financial threat to the bank's safety and soundness – potentially obscuring or diverting attention from truly critical risks.

Accordingly, we urge the banking agencies to consider changes to the MRA process to address these observed shortcomings. Regulators should reconsider current definitions and establish clear standards and expectations for both issuing and resolving MRAs, subject to a formal rulemaking process under the Administrative Procedure Act. These standards should be uniform across the OCC, Federal Reserve, and FDIC, and based on true bank "safety and soundness."[5] The agencies should also consider if changes are warranted to the Confidential Supervisory Information (CSI) framework, which bars banks and agencies from disclosing supervisory

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[2] MRAs and MRIAs are considered Confidential Supervisory Information (CSI), defined under U.S.C. 12 CFR § 261.2. https://www.occ.gov/news-issuances/bulletins/2019/bulletin-2019-15.html ; https://www.federalreserve.gov/supervisionreg/how-federal-reserve-supervisors-do-their-jobs.htm

[3] https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf (pg. 27)

[4] https://www.federalreserve.gov/publications/2023-April-SVB-Key-Takeaways.htm

[5] Johnson v. OTS, 81 F.3d 195, 204 (D.C. Cir. 1996) – The D.C. Circuit Court of Appeals describes an unsafe or unsound practice as "refer[ring] only to practices that threaten the financial integrity of the institution."

information publicly, with Congress, or to certified third-parties, with very limited exceptions. While this provides safeguards for sensitive information, regulators should consider the impact on banks' ability to remediate or challenge an MRA.

To restore effectiveness, discipline, and consistency into the process, we must ensure that MRAs are used judiciously – reserved for material risks and accompanied by legal grounding and clear expectations for banks. Regulators must also be held accountable for ensuring these deficiencies are clearly identified, resolved in a timely and appropriate manner, and are consistently enforced. Without true legal grounding and accountability on both sides, MRAs risk becoming a check-the-box exercise rather than a valuable supervisory tool that can mitigate more widespread risk. We urge your agencies to assess and improve the MRA framework as part of your broader efforts to bring integrity and accountability back to federal bank supervision.

Thank you for your attention to this important matter.

Sincerely,

Katie Boyd Britt
United States Senator

Tim Scott
Chairman

Mike Crapo
United States Senator

M. Michael Rounds
United States Senator

Thom Tillis
United States Senator

Bill Hagerty
United States Senator

Cynthia Lummis
United States Senator

Pete Ricketts
United States Senator

Jim Banks
United States Senator

Kevin Cramer
United States Senator

Dave McCormick
United States Senator