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SPEECHES

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March 3, 2026

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Remarks by

CSBS President and CEO Brandon Milhorn

at the

Carolina Bank Directors Forum

Charlotte, N.C.

March 3, 2026

Introduction

It is a pleasure to join you here today . . . appropriately in a city known as “Bank Town.”

I want to begin by thanking Commissioners Katie Bosken and Kathy Bickham. These two commissioners are incredible leaders within the Conference of State Bank Supervisors (CSBS). We appreciate their commitment to the broader state system, but their most important work is done at home, as commissioners of North Carolina and South Carolina – supervising banks that range in size from Main Street community banks to some of the largest financial institutions in the country.

The work of state supervisors is critical for the financial institutions they supervise and for the local communities that rely on financial services to fuel economic growth. CSBS members charter state banks, license nonbank financial institutions, and work tirelessly to help ensure that all these institutions operate in a safe and sound manner and provide responsible financial products to their customers.

Now, whenever we get North and South Carolina bankers in the same room, we tend to hear about the differences between the states — barbecue styles, coastal preferences, college football or basketball. As a Tennessean, I will not wade into that fray.

But I want to take us back about 40 years to the mid-1980s – when your states stopped competing and started cooperating to address a shared threat.

The financial world was at a crossroads. The banking giants in New York and elsewhere were draining capital and deposits from Southern banks. Local capital, that understood the unique development needs of economically-depressed Southern communities, was incredibly hard to find. Southern banks simply were not scaling at the same rate as banks in the large financial centers.^{[1](#)}

To address this disparity in capital, Southern states, including North and South Carolina, created the Southeastern Regional Banking Compact.^{[2](#)} Built to withstand limitations on interstate banking,^{[3](#)} the Compact

allowed limited interstate mergers for banks domiciled in the South and required deposits for the resulting entity to come predominately from Southern states.[4](#)

That collective action proved something enduring: multistate cooperation . . . and an understanding and respect for local needs . . . could help preserve local banks. For over a decade under the Compact, Southern banks were allowed to grow, merge, and innovate, placing them on a more competitive footing when interstate banking began in earnest.[5](#)

Today, we are at another crossroads, but the threat does not arise from other regions. The challenge stems from policy choices in Washington, D.C., and it is shaped by regulatory change and technological evolution that are roiling financial services markets.

Forty years ago, Southern states recognized that their collective economic interest required coordination, discretion, and sound judgment. That understanding . . . that singular focus on the needs of the states and the state banking system . . . is perhaps more vital than ever before, as state supervisors work to build a durable bank regulatory and supervisory framework for the 21st Century.

The Importance of a Stable and Durable Regulatory Environment

Let me start with why a stable bank supervisory framework matters so much to state supervisors.

The states charter and supervise 79% of the nation's banks.[6](#) The vast majority – 90% – are community banks.[7](#) The credit these banks extend, and the services they provide, are vital to individuals, small businesses, and entrepreneurs in the communities they serve.

These needs can be particularly acute in rural America. In one-quarter of the rural counties across the United States,[8](#) a community bank is the only physical banking presence, and nearly two-thirds of all rural deposits are held by community banks.[9](#)

That is why state supervisors care so deeply about the health, vitality, and future of community banks.

But the reality is sobering.

A decade ago, there were about 5,700 community banks nationwide. By the end of 2025, that number had dropped to nearly 3,900.[10](#) New community bank formations are exceedingly rare.

What is driving this decline?

Community banks serve individuals and businesses — but they are also businesses themselves. They operate on relatively tight margins. Like any business, they face rising costs, particularly for staffing, technology, and cybersecurity.[11](#) They also face increasing competition for deposits, driving their cost of funds higher and higher.[12](#)

Beyond this foundational cost of doing business, regulatory burden is one of their top challenges. A recent analysis of 10 years of data from the CSBS Annual Survey of Community Banks shows that smaller banks bear a disproportionately high cost for compliance-related activities, especially when compared to larger institutions.[13](#) And, these costs are growing. Small community banks devote roughly twice the share of their operating expenses to compliance, facing stark cost gaps in personnel, data processing, accounting, and consulting.[14](#)

For decades, CSBS and state supervisors have called for regulations and supervisory expectations to be appropriately tailored.[15](#) That concern was amplified after the Dodd-Frank Act was passed and new supervisory

expectations for larger banks began trickling down to community banks. These smaller and less complex banks simply did not present the same risks as larger banks, and they lacked the resources to meet the endless stream of supervisory and regulatory directives coming from Washington.

Right-sizing our regulatory and supervisory expectations is vital to the future of banking, particularly for our nation's community banks.

Seizing this Moment

Last fall in St. Louis, I told an audience of regulators and bankers that bank supervision and regulation . . . by its very nature . . . is an intrusion on the operation of free markets.

It is, however, a necessary intrusion . . . to promote the safety and soundness of financial institutions, to protect consumers, and to foster trust in the broader financial system.

Even in a political system like the United States . . . founded on principles of free markets and limited government . . . tailored regulation of financial markets is vital.

But this is not a one-and-done proposition. We must consistently review the costs and benefits of our regulatory structure . . . revisit the assumptions underlying regulatory mandates . . . ensure existing laws meet the changing expectations of consumers . . . and consider the impact of old laws on innovation and access to responsible, competitive financial services.

Just because it worked in the past does not mean it is fit-for-purpose now.

And, just because it is old does not mean we should immediately dismiss its importance in the future.

We have to be introspective, thorough, and humble.

The regulatory and supervisory environment we impose on the banking sector affects business models. It affects the development of new technologies and new products. It sets the conditions for competition among the varied financial institutions in the market, and affects the pricing and availability of credit, particularly for low-income families and other underserved portions of the market.

The federal government is finally asking the question the states have been asking for decades: How can regulation make the system better and safer, while not impeding a bank in Spartanburg or Gastonia from effectively serving its community?

We welcome them to this conversation. The states have been here all along.

This is a fundamental cultural shift for our federal partners, but sustaining momentum will take time and persistence.

Agency leaders in Washington have proposed moving away from a process-focused, check-the-box supervisory mentality, and are developing new approaches focused on core financial risks.¹⁶ Their proposed reforms also include common-sense updates to asset-size thresholds – many of which have not been updated for decades.¹⁷

Take the recent proposal by the FDIC to redefine unsafe or unsound practices and to revise the supervisory framework for issuing matters requiring attention.¹⁸ CSBS appreciated the new focus on core financial risks, and the importance of early identification and mitigation of these serious concerns. We also supported a continued emphasis on regulatory and legal compliance obligations.¹⁹

This same framework should carry over into reforms of the CAMELS supervisory system. Consider the Management component of CAMELS. CSBS supports refining rating definitions, eliminating double counting, and appropriately weighting the Management rating relative to core financial risks in other CAMELS components.²⁰

But management weaknesses must continue to be reflected in an institution's Composite rating. An inability to comply with laws and regulations demonstrates a fundamental management weakness. These management concerns – which may not show up in financials – can have a significant impact on risk in a bank's operations and materially harm consumers.

I will focus briefly on one component of compliance: BSA/AML. I am a former national security lawyer. Maintaining the financial system's integrity is paramount, and no one wants to catch terrorists and criminals more than me. But, how much time and expense goes into BSA/AML reporting? For the billions that financial institutions spend on BSA/AML compliance,²¹ are national security and law enforcement officials seeing equivalent benefits?²²

BSA/AML has also suffered from checklist-style, strict-liability supervisory expectations. The statutory foundation for BSA/AML compliance requires financial institutions to establish “reasonably designed risk-based programs to combat money laundering and the financing of terrorism.”²³ As implemented, however, the five BSA/AML pillars²⁴ have too often become a costly, detailed, and innovation-limiting stricture, particularly for smaller banks.²⁵

It is time that we re-evaluate the BSA/AML compliance framework for financial institutions.²⁶

Just as with financial risks, management's compliance with BSA/AML requirements and other laws and regulations must focus on *material* impacts to an institution's risk profile – significant violations that impact operations or consumers. Mere technical violations and statistical anomalies should not impact Management ratings or CAMELS Composite scoring.²⁷ However, if management demonstrates material weaknesses in its ability to meet obligations set by laws and regulations, their Management ratings should be downgraded. And, if the violations are significant enough, the weakness should flow through to a Composite rating.

Looking forward, any revisions to the CAMELS rating system must be focused on core financial risks, test management's ability to effectively meet compliance obligations, and provide a durable framework for assessing a bank's controls relative to its risk profile.²⁸

Sustaining a Durable System

We have a unique opportunity to reset the regulatory and supervisory balance for our nation's banks. That is why, as we right-size regulation and supervision of financial institutions, we must guard against the tendency to over-correct. As we know from high school physics, that movement leads to an equal reaction in the opposite direction.²⁹

Banks are often forced to navigate regulatory costs that swing dramatically from one administration to the next. This unpredictability has become increasingly disruptive³⁰. Banks cannot reasonably be expected to invest in new technology and hire another wave of consultants, lawyers, and staff to continually adapt to a new set of rules — only to repeat the process a few years later³¹. This whipsawing can weigh heavily on community banks.

Our state supervisors want banking rules that are transparent . . . supervision that is accountable through clear definitions and expectations . . . and supervisory processes that are efficient and effective. Examiner discretion must be preserved, but bound by clear rules, consistent training, and coordinated oversight.

As we make changes to the federal supervisory framework, we must also ensure that the changes are implemented consistently across the system. Federal regulatory policy is made in Washington, but it is implemented across the United States . . . by individual examination teams . . . one exam at a time.

Through effective and principled right-sizing . . . a sustained commitment to safety and soundness and consumer protection . . . and recognition of the government’s obligation to regularly evaluate supervisory frameworks, we can establish a stable and durable regulatory environment for financial services in the United States.

Promoting Innovation

Tailoring is also important to support the technological evolution in financial services.

A static, inflexible regulatory framework will stifle innovation. We may miss opportunities to develop new business models, limit beneficial third-party partnerships, and undermine consumer access to responsible financial products at competitive prices. Reflexively constraining innovation does not reduce demand for innovative financial products. It simply shifts demand elsewhere.

It is vital, however, that policymakers carefully consider the economic and competitive implications of their decisions when promoting innovation. A case-in-point: our national stablecoin framework.

Enacted last summer, the GENIUS Act promotes safety and soundness for uninsured stablecoins, strengthens BSA/AML compliance, and provides meaningful consumer protections.³² It allows banks to establish stablecoin issuer subsidiaries, and nonbanks to issue payment stablecoins under federal or state law.³³

Passage of the GENIUS Act was a positive step, and CSBS is working closely with Treasury and the federal banking agencies on implementation, while helping our members consider GENIUS-compliant state frameworks.

But there are reasons to be cautious about this new technological tool.

Treasury estimates the addressable stablecoin market could reach \$3 trillion by 2030.³⁴ Today, it is \$300 billion.³⁵ A \$2.7 trillion migration of deposits from traditional banks could impact \$2.2 trillion in lending.³⁶ If this outflow comes from community banks, it will have an outsized effect on small business and agricultural loans.³⁷

The GENIUS Act precludes payment stablecoin issuers from paying “interest” or “yield,” but many are concerned that issuers can evade this prohibition through partnerships with third parties, such as digital asset exchanges.

CSBS has urged the Treasury Department to interpret the GENIUS Act prohibition holistically. And, while we are still reviewing hundreds of pages of draft rules, it appears the OCC's initial proposal may have appropriately closed this third-party "interest and yield" loophole.[38](#)

As we review the rest of the proposed regulation, there are several risk management, capital and liquidity, and resolution requirements that we will also be scrutinizing given the uninsured nature of stablecoins.[39](#)

The federal banking agencies should also issue clear guidance to banks who may wish to explore tokenized deposit programs.[40](#) This clarity is vital to ensure that banks – who have been told for years by the federal banking agencies to stay out of digital asset activities – are able to compete on a level playing field with non-bank digital asset firms.

Speaking of Unlevel Playing Fields and Accountability

There is one additional trend that every banker in this room should be watching: the chartering and preemption activities of the OCC.

Along with CSBS, many in industry raised concerns with efforts by the CFPB when we believed it had exceeded its statutory mandate. Some examples included the redundant nonbank registry rule, rules released by blog instead of notice-and-comment, and proposed reporting requirements for small business credit applications.[41](#)

If you care about democratic accountability of government, you should be similarly concerned by the OCC's final rule revising its chartering authority for national trust banks and the seemingly boundless view of its preemption authority.

Standing alone, these actions should be a concern for those who care about the rule of law. Combined, they pose a significant threat to traditional banks – whether they are chartered by the states or the OCC.

Take the OCC's final rule on trust charters – a seemingly innocuous change that tracks the law word for word.[42](#) But, if you step back, consider the history of the National Bank Act and read the OCC's description of the final rule, the change is *hardly* innocuous.

Some history[43](#)—

From the 1860's until now, Congress incrementally expanded the OCC's chartering authority. First, they authorized banks – meaning deposit-taking and, later, FDIC-insured banks.

The OCC tried to create a trust company using its "bank" authorities . . . and the courts said, "No." So, in 1978, Congress granted the OCC specific, new authority to create national trust banks. These trust banks were permitted to engage in fiduciary activities, though the National Bank Act recognizes they might be involved in "related" activities.

Congress also specifically authorized bankers' banks, when there was some question about the OCC's authority to establish those entities. Recently, Congress granted the OCC specific authority to authorize non-bank payment stablecoin issuers.

Now, the OCC seems to think that they can take bits and pieces of all these authorities and cobble them together in any number of "Franken-charters"[44](#) . . . but that is inconsistent with the history of the National Bank Act and the OCC's specific, limited chartering authority.

The just-released final rule on trust charters refuses to recognize any potential limitations. Under the rule, the OCC will decide — on a case-by-case basis as it reviews each future charter request — if the National Bank Act places any limits on the applicant’s activities.

In its proposed rule implementing the GENIUS Act, the OCC appears . . . once again . . . to reserve to itself unfettered discretion to allow trust banks that are also payment stablecoin issuers to engage in activities beyond those specifically delineated in the GENIUS Act.[45](#) And, when read in conjunction with Interpretive Letter 1176, perhaps even banking activities.

You should be thinking about the implications of this power play in the context of the 18 digital asset trust bank applications that the OCC is now reviewing.[46](#)

When will we know what activities the OCC has authorized? Only when the OCC approves a charter? Given the opaque nature of the publicly available portion of charter applications and the vague nature of OCC approvals, maybe not even then.

So much for transparency, accountability, and the rule of law.

In recent years, the Supreme Court has pushed back on actions like this by the OCC and other federal agencies. The Court has limited deference to agencies, most notably by overturning *Chevron* deference and advancing the major questions doctrine.[47](#) These Supreme Court decisions reaffirm a basic principle: Congress makes the law, and when agencies exceed their authority, they undermine democratic accountability.

The final trust chartering rule and charters that the OCC approves under the rule should be entitled to no deference by the courts.[48](#)

But wait, there’s more.

The OCC is also aggressively expanding its view of preemption.

Though the National Bank Act lays out a clear process for preemption and the “prevents or significantly interferes standard” remains a high bar, the OCC continues to believe that it can overturn any state consumer protection law that is an “unnecessary burden” for national banks . . . that is “inflexible,” “inefficient,” or “unusual.”[49](#)

The OCC’s mortgage escrow rule and the interest-on-escrow preemption determination are a combined step in the wrong direction. Interest-on-escrow laws have been around for 50 years. All mortgage servicers holding escrow funds comply with these laws in 12 states. They require a small amount of interest to be returned to homeowners because their insurance and property tax funds are held in escrow with the servicer.

National banks challenged these rules in court a few years ago, and the Supreme Court reaffirmed the high bar for preemption under the National Bank Act in *Cantero v. Bank of America*.[50](#) This preemption review requires a “nuanced,” case-by-case analysis of whether a given state law “prevents or significantly interferes” with a national banks’ powers. On remand, two circuit courts have held that these interest-on-escrow laws are *not preempted*.[51](#)

Despite the Court’s ruling and the lower courts’ decisions, the OCC barreled ahead with these two regulatory proposals in December. In the proposed rule, they articulate the “unnecessary burden” standard for preemption — which comes nowhere near the actual National Bank Act standard. They propose preemption of all 12-state interest-on-escrow laws . . . with only a cursory analysis of the New York law . . . and also propose preempting

any similar future state laws in this area.

No case-by-case review.

No substantial evidence on the record.

No consultation with the CFPB regarding the 11 additional state laws that the OCC would preempt – also a requirement of the National Bank Act.

Now, I accept that the National Bank Act provides the OCC with the authority to preempt state consumer protection laws that “prevent or significantly interfere” with national bank authorities.

What I cannot countenance is the blatant disregard for the law and Supreme Court precedent that the OCC has demonstrated.

A similarly aggressive preemption push by the OCC has been cited as a contributor to the Great Financial Crisis, [52](#) and led to Congress explicitly confirm the preemption standard and process when it passed the Dodd-Frank Act.[53](#)

The OCC has willfully ignored this standard and process for over a decade.[54](#) And now, while they purport to follow the process in the law, they have actually manufactured a weaker, unrelated standard that undermines the competitive framework that Congress established for the dual banking system.

The National Bank Act is not a blanket grant of general chartering and preemption authority. It provides a framework for national banks and state-chartered banks to compete fairly. Abusing the authority provided by the Act weakens our dual banking system and reduces certainty for those national banks relying on the OCC’s pronouncements.

What are the States prepared to do?

Faced with the rapidly evolving financial services marketplace, the need for regulatory and supervisory tailoring, and an OCC gone wild, what is next for the state charter?

For tailoring, our members will work with their federal counterparts to re-evaluate current regulatory and supervisory requirements and help build a durable federal framework for the future. We will continue to focus our engagement on the principles of safety and soundness, consumer protection, and economic growth. And, exam-by-exam, we will focus on the consistent and coordinated implementation of new rules by our federal partners.

With respect to the OCC’s actions, litigation is certainly a possibility. Many stakeholders are watching to ensure that the OCC does not overstep its authority. OCC preemption decisions that ignore state consumer protection laws and fail to meet the high bar set by statute and the Supreme Court will almost certainly be challenged. States will consider administrative action and litigation if OCC charters extend beyond the boundaries of the National Bank Act.

But perhaps we can also take inspiration from the Southeastern Regional Banking Compact and consider an additional alternative: *cooperation among the states*.

Following passage of Riegle-Neal, all 50 states, the District of Columbia, and two territories joined forces, signing a Nationwide Cooperative Agreement designed to improve multistate supervision and coordination in an interstate banking environment.⁵⁵ The Agreement covers information sharing, exam activities, enforcement actions, application of home-state and host-state laws, and other important matters. Working together, the states set a framework for managing a burgeoning interstate market.

State cooperation extends beyond interstate banking. States have crafted model laws for money transmission⁵⁶ and mortgage servicing⁵⁷ that apply to the vast majority of participants in these non-bank markets. They regularly coordinate exam scheduling and enforcement actions for multistate firms, including those that operate nationwide. They established the Nationwide Multistate Licensing System to improve consumer protection and streamline licensing applications for multistate financial institutions.

We must embrace this spirit of cooperation again as we build the dual banking system for the 21st Century.

Differences among the states will continue to provide a basis for innovation – allowing new products and services to develop and grow. States can maintain critical protections that they believe are vital for their consumers or their local economies.

But if we only compete . . . if states only consider their individual needs in isolation . . . then an expansive and aggressive OCC and the steady progress of technological innovation could deprive our nation of one of its greatest strengths: a vibrant and competitive dual banking system.

Conclusion

Charter choice should matter. It should be a meaningful decision for institutions considering their business model, their legal and regulatory environment, and the importance of their relationship with their supervisors.

As we face the future, CSBS members will work together to tackle these challenges . . . to consider the implications of their state laws and regulations on the development of a competitive, nationwide market for financial services.

Through state cooperation and determination, we will sustain the state charter as the charter of choice, and foster a resilient, competitive, and innovative banking system for decades to come.

Thank you.

- 1

[1] See Thomas D. Hills, *The Rise of Southern Banking & the Disparities Among the State Following the Southeastern Regional Banking Compact*, 11 N.C. Banking Instit. 57 (2007).

- 2

See Doug Campbell, *Branch by Branch: How North Carolina became a banking giant*, Federal Reserve Bank of Richmond Regional Focus (Fall 2006).

- 3

The “Douglas Amendment” to the Bank Holding Company Act prohibited “a bank holding company or bank located in one State [from acquiring] a bank located in another State . . . unless the acquisition ‘[was] specifically authorized by the statute laws of the State in which such bank is located. . . .’” See *Northeast*

Bancorp, Inc. v. Bd. Of Governors of Fed. Reserve Sys., 472 U.S. 159, 163 (1985) (citing former Section 3(d) of the Bank Holding Company Act).

- [4](#)

A similar compact among Massachusetts, Connecticut, and other New England states was upheld by the Supreme Court. *See Northeast Bancorp, Inc.*, 472 U.S. at 178.

- [5](#)

The Riegle-Neal Act lifted prohibitions on interstate branching, effectively ending the Compact by 1994. *See, e.g.* The Roanoke Times, [Bankers Cutting Tie that Binds](#) (Mar. 6, 1994).

- [6](#)

State-chartered institutions totaled 3,440 at the end of 2025. FDIC, [BankFind Suite](#).

- [7](#)

As of December 2025, there were 3,162 state-chartered community banks out of 3,440 state-chartered banks. CSBS uses the FDIC's research definition to classify institutions as community banks. That definition takes into account an institution's size, geographic footprint, business model, and other characteristics. *See* FDIC, [Community Banking Study, Appendix A: Study Definitions](#) (Dec. 2020).

- [8](#)

Matt Hanauer, Brent Lytle, Chris Summers & Stephanie Ziadeh, [Community Banks' Ongoing Role in the U.S. Economy](#), 106 Econ. Rev., Federal Reserve Bank of Kansas City (2021).

- [9](#)

FDIC, BankFind Suite: Summary of Deposits.

- [10](#)

FDIC, BankFind Suite: Summary of Deposits.

- [11](#)

See CSBS, [2025 CSBS Annual Survey of Community Banks](#), 9-12 (Oct. 2025) (presented at the 13th Annual Community Banking Research Conference).

- [12](#)

Id.

- [13](#)

See Tom Siems, [Do Banking Regulations Disproportionately Impact Smaller Community Banks?](#), CSBS Working Paper 25-01 (2025).

- [14](#)

Id.

- [15](#)

See, e.g., CSBS, [Comment Letter re: Modification of Outdated, Burdensome Community Bank Regulatory Thresholds](#) (May 12, 2025).

- [16](#)

See Scott Bessent, U.S. Secretary of the Treasury, [Remarks by Secretary of the Treasury Scott Bessent Before the Fed Community Bank Conference](#) (Oct. 9, 2025) (“a clear focus on material financial risk will put an end to this nonsense”); Michelle Bowman, Vice Chair for Supervision, Federal Reserve Board of Governors, [Welcome Remarks by Vice Chair for Supervision Bowman at the 2025 Community Banking Research Conference](#) (Oct. 7, 2025) (“We are refocusing supervisory efforts on core material financial risks.”); FDIC Acting Chairman Travis Hill, [Charting a New Course: Preliminary Thoughts on FDIC Policy Issues](#) (Jan. 10, 2025) (“What is far more common is for examiners to focus on a litany of process-related issues that have little bearing on a bank’s core financial condition or solvency.”); see also Press Release, House Financial Services Committee, [Chairman Hill: It is Crucial Prudential Regulators Remain Focused On Their Core Mission to Safeguard The Fundamental Stability And Safety And Soundness of Our Financial Institutions](#) (Dec. 2, 2025) (“That’s why our Committee’s legislative and oversight agenda and the Trump Administration are collaborating in leading the charge to shift our regulatory approach and return prudential regulators to this core mission. We saw what happens with the failure of Silicon Valley Bank when regulators fail to keep their focus on obvious, in ‘plain sight,’ material financial risks.”).

- [17](#)

See FDIC, Final Rule, [Adjusting and Indexing Certain Regulatory Thresholds](#), 90 Fed. Reg. 55789 (Dec. 4, 2025); see also CSBS, [Comment Letter re: Adjusting and Indexing Certain Regulatory Thresholds](#) (Sept. 24, 2025).

- [18](#)

See FDIC & OCC, Notice of Proposed Rulemaking, [Unsafe or Unsound Practices, Matters Requiring Attention](#), 90 Fed. Reg. 48835 (Oct. 30, 2025).

- [19](#)

See CSBS, [Comment Letter re: Unsafe or Unsound Practices, MRAs](#) (Dec. 29, 2025).

- [20](#)

Id.

- [21](#)

Industry estimates suggest that U.S. financial institutions spent \$59 billion on BSA/AML compliance in 2023. See Forrester Consulting, [True Cost of Financial Crime Compliance Study, 2023: United States and Canada](#) (Nov. 2023).

- [22](#)

A 2024 GAO report found that law enforcement accessed only 5.4% of CTRs filed between 2014 and 2023. *See* U.S. Government Accountability Office, [Currency Transaction Reports: Improvements Could Reduce Filer Burden While Still Providing Useful Information to Law Enforcement](#) (Dec. 2024).

- [23](#)

See 31 U.S.C. § 5311(2).

- [24](#)

See [FFIEC BSA/AML Manual](#).

- [25](#)

See, e.g., Five Questions for Five Bankers, [2025 CSBS Annual Survey of Community Banks](#), 31, Lloyd Hamm Jr., River Run Bancorp, President and CEO (“Over the last 10 years, spanning both my credit union and banking experience, our compliance costs have tripled. For example, the BSA [Bank Secrecy Act] became critical after 9/11 and has only grown more complex in terms of reporting and information requirements. * * * We also invest heavily in BSA monitoring systems, paying hundreds of thousands of dollars annually across three banks. Whether or not those data are being fully leveraged on their end, we know we’re paying for it.”).

- [26](#)

Quantifying the benefits of the BSA/AML framework is complicated by the lack of transparency associated with the program. While some opaqueness is understandably necessary to protect ongoing intelligence and law enforcement investigations, it increases the burden of proof rightly placed on the federal government to revisit the cost-benefit determinations associated with the significant BSA/AML reporting obligations imposed on all financial institutions. *See also* [Treasury Secretary Scott Bessent Remarks before the American Bankers Association](#) (April 9, 2025) (“We will advocate for changes to the AML/CFT framework to truly focus on national security priorities and higher-risk areas and explicitly permit financial institutions to de-prioritize lower risks.”).

- [27](#)

See [Developing Conclusions and Finalizing the Exam](#), FFIEC BSA/AML Manual (“Isolated or technical violations are limited instances of noncompliance with the BSA that occur within an otherwise adequate system of policies, procedures, and processes. These violations generally do not prompt serious regulatory concern or reflect negatively on management’s supervision or commitment to BSA compliance, unless the isolated violation represents a significant or egregious situation or is accompanied by evidence of bad faith. Corrective action for isolated or technical violations is usually undertaken by the bank within the normal course of business.”).

- [28](#)

See [Statement by FDIC Chairman Travis Hill before the U.S. Senate Committee on Banking, Housing, and Urban Affairs](#) (Feb. 26, 2026) (“The FDIC is also working with the other members of the Federal Financial Institutions Examination Council (FFIEC) to review the Uniform Financial Institutions Rating System, more commonly known as the CAMELS rating system.”).

- [29](#)

Sir Isaac Newton's Third Law of Motion. See [Newton's Laws of Motion](#), NASA ("Whenever one object exerts a force on another object, the second object exerts an equal and opposite on the first.").

- [30](#)

See Brandon Milhorn, "[Benefits of Dual Banking System Supervision in Uncharted Waters](#)" Federal Reserve Bank of Atlanta Banking Outlook Conference (Feb. 27, 2025) ("Wild swings in supervisory expectations and regulatory requirements [driven by politicization of federal regulation and supervision] undermine stability and certainty for financial institutions and pose a special hardship for community banks. Banks faced with these extreme changes incur significant legal, operational, and technological costs to meet new, ever-changing compliance demands.").

- [31](#)

Community bankers understand the regulatory pendulum all too well. Using our Community Bank Sentiment Index, which measures outlook on a scale where 100 is neutral, we saw regulatory burden sentiment fall as low as 20 before the last presidential election, only to jump well into positive territory immediately after. The Community Bank Sentiment Index is an index derived from quarterly polling of community bankers across the nation. As community bankers answer questions about their outlook on the economy, their answers are analyzed and compiled into a single number. An index reading of 100 indicates a neutral sentiment, while anything above 100 indicates a positive sentiment, and anything below 100 indicates negative sentiment. See Tom Siems, "[Why Are Community Bankers More Optimistic?](#)," CSBS (Jan. 21, 2025).

- [32](#)

See CSBS, [Comment Letter re: GENIUS Act Implementation](#) (Nov. 4, 2025).

- [33](#)

See CSBS, [Comment Letter re: GENIUS Act Implementation](#) (Nov. 4, 2025).

- [34](#)

See Scott Bessent, U.S. Secretary of the Treasury, [Remarks by Secretary of the Treasury Scott Bessent Before the Treasury Market Conference](#) (Nov. 12, 2025).

- [35](#)

See Tajammul Pangarkar, [Stablecoin Market Grown 2026: Insights from Stablecoin Insider](#) (Feb. 18, 2026) ("\$312 billion market cap: Circulating supply continues to climb, with projections pointing toward \$1 trillion by late 2026.").

- [36](#)

For Fourth Quarter, 2025, institutions under \$10 billion had an average net loans and leases to deposits ratio of 82%. See FDIC Quarterly Banking Profile, [Time Series Spreadsheets](#) (Feb. 24, 2026).

- [37](#)

See [ABA Community Bankers Council Letter Urging Senators to Close the Stablecoin Loophole](#) (Jan. 5, 2026).

- [38](#)

Proposed 12 C.F.R. § 15.10(c)(4), Office of the Comptroller of the Currency, Notice of Proposed Rulemaking, [Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency](#), 91 Fed. Reg. 10202 (Mar. 2, 2026).

- [39](#)

For example—

Has the OCC retained GENIUS Act restrictions on the activities of payment stablecoin issuers to avoid exposing their capital and reserves to losses in other potentially risky digital asset activities, such as market-making or lending?

For stablecoin issuers that may also be digital asset service providers, has the OCC proposed appropriately elevated capital and risk management requirements?

What approach will the OCC take to resolution planning for stablecoin issuers, and does the agency have sufficient authority to quickly and effectively resolve a stablecoin issuer under financial distress . . . both to protect stablecoin holders and to prevent a government bailout of the issuer or its parent bank?

- [40](#)

See CSBS, [Comment Letter re: Guidance on Tokenized Deposits](#) (Nov. 4, 2025).

- [41](#)

See, e.g., CSBS, [Comment Letter re: Rescission of CFPB Nonbank Registry Regulation](#) (May 12, 2025); CFPB, Press Release, [CFPB Targets Unfair Discrimination in Consumer Finance](#) (Mar. 16, 2022); ABA Banking Journal, [ABA, trade groups sue CFPB for exceeding its statutory authority](#) (Sept. 28, 2022); CSBS, [Comment Letter re: Small Business Lending Data Collection Under the Equal Credit Opportunity Act \(Regulation B\)](#) (Jan. 6, 2022); CSBS, Press Release, [CSBS Supports Efforts to Reform Small Business Data Collection Demands](#) (Feb. 5, 2025).

- [42](#)

See OCC, Final Rule, [National Bank Chartering](#), Docket ID OCC-2025-0768 (Feb. 27, 2026).

- [43](#)

See CSBS, [Comment Letter re: OCC National Bank Chartering](#) (Feb. 23, 2026).

- [44](#)

See, e.g., OCC, [Interpretive Letter 1176](#) (Jan. 11, 2021).

- [45](#)

Proposed 12 C.F.R. § 15.10(b), Office of the Comptroller of the Currency, Notice of Proposed Rulemaking, [Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency](#), 91 Fed. Reg. 10202 (Mar. 2, 2026).

- [46](#)

As of last week, the OCC has received 18 applications and has conditionally approved eight of these charter applications, including Ripple National Trust Bank, First National Digital Currency Bank, BitGo Bank & Trust, Fidelity Digital Assets, Paxos Trust Company, National Digital Trust Company, Bridge National Trust Bank, and Crypto.com National Trust Bank. *See* OCC, News Release 2025-125, [OCC Announces Conditional Approvals for Five National Trust Bank Charter Applications](#) (Dec. 12, 2025); *see* OCC, [Digital Assets Licensing Applications](#).

- [47](#)

Loper Bright Enterprises v. Raimondo, 603 U.S. 369 (2024) (overturning *Chevron* deference); *West Virginia v. EPA*, 597 U.S. 697 (2022) (discussing major question doctrine).

- [48](#)

Id.

- [49](#)

OCC, Notice of Proposed Rulemaking, Preemption Determination: State Interest-on-Escrow Laws, 90 Fed. Reg. 61093 (Dec. 30, 2025).

- [50](#)

Cantero v. Bank of America, N.A., 602 U.S. 205 (2024).

- [51](#)

Conti v. Citizens Bank, N.A., 157 F.4th 10 (1st Cir. 2025) (“If there is a point of reference for Citizens’ argument that preemption applies to any state law that dictates a term or condition of a banking product, it may be found in the Second Circuit’s decision in *Cantero*, which held preempted ‘any state law that purport[ed] to exercise control over a federally granted banking power.’ 602 U.S. at 213 (quoting *Cantero*, 49 F.4th at 131). But the Supreme Court rejected that analysis, making clear that Dodd-Frank declined to adopt ‘a categorical test that would preempt virtually all state laws that regulate national banks.’ *Id.* at 220-21. Accordingly, we likewise reject Citizens’ argument that National Bank Act preemption applies whenever a state law dictates the terms of banking product in a manner that limits a national bank’s flexibility and efficiency.”); *Kivett v. Flagstar Bank*, 154 F.4th 640 (9th Cir. 2025).

- [52](#)

See, e.g. The Financial Crisis Inquiry Commission, [The Financial Crisis Inquiry Report](#), 113 (Jan. 2011) (after the OCC adopted its 2004 preemption regulations, “many of the largest mortgage-lenders shed their state licenses and sought shelter behind the shield of a national charter,” leading to “the worst lending abuses in our nation’s history”); *see also* S. Rep. No. 111-176, at 16-17 (2010) (criticizing the OCC’s

preemption of state laws).

- [53](#)

See CSBS, [Comment letter re: OCC Preemption Determination: State Interest-on-Escrow Laws and Real Estate Lending Escrow Accounts](#) (Jan. 29, 2026) (“To prevent systemic risk from building up in the financial system because of overly expansive NBA preemption, Congress explicitly required the OCC to demonstrate, with substantial evidence on the record, that a state consumer protection law ‘prevents or significantly interferes’ with a national bank’s powers before preempting it. Congress also rescinded Chevron deference for OCC preemption determinations.”).

- [54](#)

CSBS, *Petition to Reconsider Preemption Regulations Amended in Docket ID OCC-2011-0018*, 78 Fed. Reg. 43549 (June 29, 2012); CSBS, [Letter to Acting Comptroller of the Currency Michael J. Hsu on the OCC's 5-Year Review of Preemption](#) (July 28, 2024); CSBS, [Letter Re: Executive Orders 14219 and 14267 – Rescission of OCC Preemption Regulations](#) (May 8, 2025); CSBS & AARMR, [Brief of Amici Curie in Support of Petitioners](#), *Cantero v. Bank of Am., N.A.*, 602 U.S. 205 (No. 22-529); CSBS & AARMR, Brief of Amici Curiae in Support of Plaintiff-Appellant and Reversal, [Conti v. Citizens Bank, N.A.](#), 157 F.4th 10 (1st Cir. 2025)(No. 22-1770); CSBS & AARMR, Brief of Amici Curiae in Support of Appellees and Affirmance, [Kivett v. Flagstar Bank, FSB](#), 154 F.4th 640 (9th Cir. 2025)(No. 21-15667).

- [55](#)

See [Nationwide Cooperative Agreement](#) (Dec. 9, 1997).

- [56](#)

See CSBS, [Money Transmission Modernization Act \(MTMA\)](#) (Feb. 26, 2026).

- [57](#)

See CSBS, [Nonbank Mortgage Servicer Prudential Standards](#) (Sep. 26, 2025).