FFIEC SLC Chairman Charles Cooper Statement on CAMELS update

PRESS RELEASES

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Washington, D.C. — Texas Banking Commissioner and Federal Financial Institutions Examination Council's (FFIEC) State Liaison Committee (SLC) Chairman Charles G. Cooper today issued the following statement on the FFIEC's CAMELS update:

"For nearly 50 years, the Uniform Financial Institutions Rating System, known as CAMELS, has provided a framework for federal and state regulators to assess and communicate the level of safety and soundness of an institution. This framework has become foundational in safeguarding our financial system, as Congress intended.

It is appropriate that CAMELS be reviewed for updates consistent with changes in the financial sector and associated risks. Revisiting the focus and framing of the CAMELS system should promote transparency, fairness, and accountability while improving the guardrails needed for a sustainable system.

The State Liaison Committee (SLC) participated in the development of this proposed framework and supports its publication for notice and comment. The proposal increases the rating system's focus on material financial risks across individual components and in an institution's composite rating. It retains important standards for holding institutions accountable for legal and regulatory compliance obligations and for ensuring appropriate risk management practices are reflected in an institution's rating.

It is vital that this balanced approach be maintained in the final CAMELS framework. While identification and mitigation of material financial risks remain a core focus of supervision, the proposed rating system must also factor in an institution's effective management of cyber, information technology, legal and regulatory compliance and operational risks. Material weaknesses in these disciplines can undermine the safety and soundness of an institution, harm consumers, and lead to distressed situations.

Receiving comments about the proposed revisions is essential to this process. In addition to comments on the changes, specific questions are asked. The SLC believes that for this process to work as intended, a robust review and response from the industry, consumers, trade groups and other stakeholders are needed. Thank you in advance for your participation.

We appreciate the leadership of FFIEC Chair and Federal Reserve Vice Chair for Supervision Michelle Bowman and the collaboration with our FFIEC counterparts in producing this proposal."

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The Conference of State Bank Supervisors (CSBS) is the national organization of financial regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance, and debt industries.