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Agencies Request Comment on Financial Institutions Rating System

May 19, 2026
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The Federal Financial Institutions Examination Council (FFIEC) today invited public comment on proposed revisions to the uniform financial institutions rating system, commonly known as CAMELS, to focus on material financial risk and improve the transparency of ratings. The public is encouraged to submit comments within 90 days of publication in the Federal Register through the Federal eRulemaking Portal.

Regulators use the CAMELS rating system to evaluate the safety and soundness of financial institutions and identify those institutions requiring heightened supervisory attention or other supervisory action. Under this rating system, supervisors assign a composite rating to each institution and rate six components—capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. The CAMELS rating system is a critical tool for supervisors to assess, identify, and communicate threats to the safety and soundness of financial institutions.

Michelle W. Bowman, Chair of the FFIEC and Vice Chair for Supervision of the Federal Reserve Board, has prioritized a comprehensive revision of the CAMELS framework for the first time in 30 years. “The revised CAMELS framework marks a decisive shift toward transparency, quantitative factors, and predictability of supervisory oversight,” FFIEC Chair Bowman said.

The proposal would strengthen the link between ratings and a financial institution’s safety and soundness by focusing ratings on material financial risks. The proposal would retain the basic framework of the existing rating system, with certain modifications to the composite and component rating definitions and evaluation factors.

The FFIEC was created by the federal Financial Institutions Regulatory and Interest Rate Control Act of 1978 to “prescribe uniform principles and standards for the federal examination of financial institutions” and “make recommendations to promote uniformity” in the supervision of financial institutions. It also conducts schools for examiners employed by the five federal member agencies represented on the FFIEC and makes those schools available to employees of state agencies that supervise financial institutions.

The FFIEC consists of the following six voting members: a member of the Board of Governors of the Federal Reserve System; the Chairman of the Federal Deposit Insurance Corporation; the Director of the Consumer Financial Protection Bureau; the Comptroller of the Currency; the Chairman of the National Credit Union Administration; and the Chairman of the State Liaison Committee.

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