

THE NEW US ADMINISTRATION'S FINANCIAL REGULATION MEASURES

As stated in the main text of this report, the uncertainty surrounding the financial regulation stance of the new US Administration and agencies threatens to become a further factor within the set of growing geopolitical risks. In addition to the measures adopted domestically in the United States, the country is also withdrawing from some global initiatives and there are doubts over the implementation of international agreements, such as Basel III, which could drag other jurisdictions into a race to the bottom on regulatory standards.

Implementation of Basel III in the United States

On 27 July 2023, US agencies published their proposal for implementation of the final Basel III reforms (dubbed “Basel III endgame”).¹ The proposal entailed an estimated increase of around 19% in common equity tier 1 (CET1) capital requirements for the US banking sector and, in some respects, was even more stringent than those final Basel III reforms.² It also extended requirements for smaller banks.

In September 2024 Michael Barr, then Vice Chair for Supervision of the Board of Governors of the Federal Reserve System, gave a speech that anticipated several revisions to the initial Basel III endgame proposal, reducing the estimated impact on the CET1 requirements to a rise of 9% by eliminating several of the prior proposals and including deviations from Basel III's credit risk, operational risk and market risk frameworks.³

In March 2025 Michelle Bowman replaced Michael Barr as Vice Chair for Supervision of the Board of Governors of the Federal Reserve System. Bowman had already demonstrated her rejection of the initial Basel III endgame proposal championed by her predecessor, and made no mention of Basel III implementation in her nomination hearing before the US Senate on 10 April.⁴

However, prior to stepping down as Vice Chair for Supervision, in February 2025 Barr warned of the risks of the United States not following through on its commitment to adopt the Basel III capital reforms, which could result in an uneven playing field across the globe, a race to the bottom on prudential requirements and more stringent requirements for US banks operating abroad.⁵ In an appearance before the US Senate in the same month, Jerome Powell, Chair of the Board of Governors of the Federal Reserve System, was also in favour of completing implementation of Basel III.⁶ In his testimony, he repeated the Federal Reserve's commitment to working with US agencies such as the Federal Deposit Insurance Corporation (FDIC)⁷ and the Office of the Comptroller of the Currency (OCC)⁸ to complete implementation of Basel III endgame and reiterated that he expected the impact on capital requirements to be neutral.

The uncertainty surrounding the stance that the United States will ultimately adopt is already affecting other jurisdictions, such as the United Kingdom, Canada and the European Union. The former has announced a delay to implementation of Basel III until January 2027.⁹ Canada has limited the output floor to 67.5% of risk-weighted

1 Board of Governors of the Federal Reserve System. (2023). “Agencies request comment on proposed rules to strengthen capital requirements for large banks”.

2 For example, Basel III endgame: (i) prohibited the use of internal models to calculate regulatory capital for credit risk and, in certain cases, for market risk; (ii) raised the risk weights under the standardised approach for credit risk above the Basel III requirements for the retail and residential mortgage portfolios, and did not accept other lower weights, e.g. those envisaged for small and medium-sized enterprises; and (iii) for operational risk, considered historical losses only where they contributed to raising the requirements.

3 M. Barr. (2024). “The Next Steps on Capital”, Vice Chair for Supervision of the Board of Governors of the Federal Reserve System.

4 See M. Bowman's nomination hearing as Vice Chair for Supervision of the Board of Governors of the Federal Reserve System.

5 M. Barr. (2025). “Risks and Challenges for Bank Regulation and Supervision”, Vice Chair for Supervision of the Board of Governors of the Federal Reserve System.

6 J. Powell. (2025). “The Semiannual Monetary Policy Report to the Congress”, Chair of the Board of Governors of the Federal Reserve System.

7 The FDIC is an independent agency created by the US Congress to maintain stability and public confidence in the US financial system. To accomplish this mission, the FDIC insures deposits; examines and supervises financial institutions for safety, soundness and consumer protection; makes large and complex financial institutions resolvable; and manages receiverships.

8 The OCC charters, regulates and supervises all US banks, federal savings associations and federal branches and agencies of foreign banks. The OCC is an independent bureau of the US Department of the Treasury.

9 Prudential Regulation Authority. (2025). “The PRA announces a delay to the implementation of Basel 3.1”.

assets, as opposed to the 72.5% floor under Basel III.¹⁰ Meanwhile, the European Commission has launched a consultation on possible revisions to the market risk framework (Fundamental Review of the Trading Book), which could delay its implementation by a further year, to January 2027, and introduce amendments during the following three years.

By contrast, the Group of Central Bank Governors and Heads of Supervision (GHOS)¹¹ reaffirmed their expectation to implement Basel III in full and consistently. GHOS members consider that the series of shocks to financial markets over the past few years have highlighted the importance of having a prudent global regulatory framework in place for the banking sector. The GHOS thus tasked the Basel Committee on Banking Supervision (BCBS) with continuing to monitor and assess the full and consistent implementation of Basel III. At the same time, the BCBS will continue the analytical and supervisory work related to the 2023 banking turmoil, for example, on topics such as liquidity risk and interest rate risk.

US regulatory and supervisory measures

In her nomination hearing before the Senate,¹² Bowman spoke of supervision being refocused on core financial risks.¹³ This is already resulting in specific measures: for instance, on 20 March¹⁴ the OCC announced that it would no longer examine its regulated institutions for reputational risk¹⁵ and that it was removing references to reputational risk from its Comptroller's Handbook booklets and guidance issuances. Meanwhile, the

Republican wing of the United States House Committee on Financial Services (of the House of Representatives of the United States) has come out in favour of eliminating the management component from CAMELS, the supervisory rating system, and prohibiting the use of reputational risk as a supervisory factor.¹⁶

Bowman is in favour of a pragmatic and innovative regulatory approach that takes into account institutions and markets and removes unnecessary burdens: she specifically referred to those which could affect the US government bond market, hinting at Treasury bills being once again excluded from the denominator of banks' supplementary leverage ratio, as they were during the turmoil of March 2020. She also proposed a proportional approach, with fewer requirements for community and regional banks, and criticised the size and complexity of the current regulatory system, which in her opinion is overly redundant and imposes unnecessary costs on banks and their customers.

Bowman has also rejected a further stress test on US banks – similar to that performed as a result of the pandemic – in relation to the tariff escalation.¹⁷

Executive Orders with an impact on financial regulation

Since his inauguration on 20 January, President Trump has signed numerous Executive Orders affecting the regulation of the financial system to a greater or lesser degree. First, he established a “regulatory freeze”¹⁸ on all rules being drawn up or implemented until new regulatory agency

¹⁰ Statement from the Superintendent of Financial Institutions on the Basel III standardized capital floor level, 12 February 2025. Basel III introduces an output floor that requires that risk-weighted assets generated by banks' internal ratings-based capital models cannot fall below 72.5% of risk-weighted assets computed under the standardised approach.

¹¹ The GHOS is the Basel Committee on Banking Supervision's oversight body. See the [press release of May 2025](#).

¹² See footnote 4.

¹³ Even before being proposed for her current office, in her speech “[Brief Remarks on the Economy and Accountability in Supervision, Applications, and Regulation](#)” of 17 February 2025 Bowman alluded to what she considered was an over-emphasis on IT and operational risk, internal controls and governance.

¹⁴ “[OCC Ceases Examinations for Reputation Risk](#)”, 20 March 2025.

¹⁵ Reputational risk is the risk stemming from a negative opinion among market participants that can adversely affect a bank's ability to maintain existing business relationships or establish new ones and its ongoing access to sources of funding.

¹⁶ CAMELS is an international rating system for banks used by banking supervisors, comprising six categories: capital adequacy, asset quality, management, earnings, liquidity and sensitivity. The management component entails an assessment by the supervisor of bank managers' ability to manage risk and comply with supervisory and regulatory requirements.

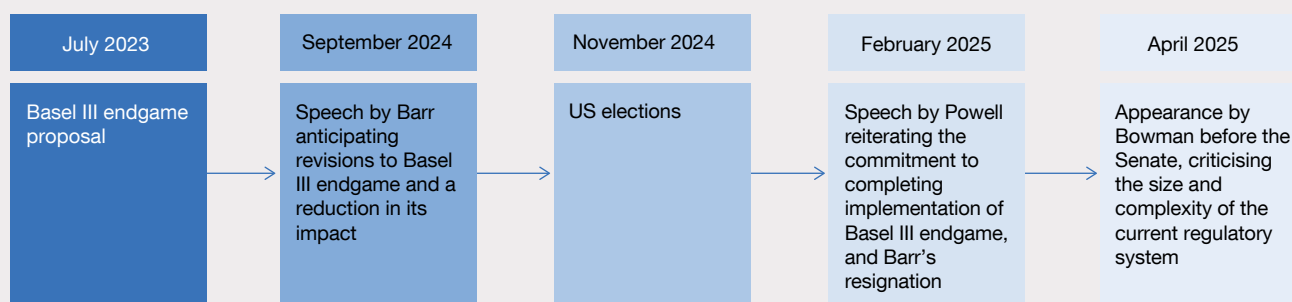
¹⁷ [Hearing](#) of 10 April 2025 of the US Senate Banking Committee.

¹⁸ [Executive Order](#) of 20 January 2025.

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Figure 1

Timeline of addresses by key members of the Board of Governors of the Federal Reserve System on implementation of the Basel III endgame measures



SOURCES: Board of Governors of the Federal Reserve System and Congress of the United States.

heads had been appointed.¹⁹ Consequently, all banking regulations proposed by the previous Administration that had not yet taken effect were postponed, including the proposed revisions to Basel III endgame.

Furthermore, the Executive Order *"Unleashing Prosperity Through Deregulation"*²⁰ of 31 January 2025 stressed the need to significantly cut the costs of regulatory compliance, requiring at least ten existing regulations to be repealed for each new regulation promulgated.

The Executive Order *"Ensuring Accountability for All Agencies"*²¹ of 18 February 2025 makes the independent regulatory agencies accountable to the Executive in all matters concerning the supervision and regulation of financial institutions. Agencies will be required to submit any new regulation to the White House for review. In addition, the Director of the Office of Management and Budget of the White House will review independent regulatory agencies' obligations for consistency with the President's policies and priorities, adjusting them if

necessary. Furthermore, independent regulatory agency chairmen shall regularly consult and coordinate policies and priorities with the White House. No agency employee may advance an interpretation of the law that contravenes the US President's or Attorney General's opinion on a matter of law, regulations and positions advanced in litigation. The Executive Order does not affect monetary policy conduct.

With regard to the financial risks from climate change, 20 January saw the issuance of the Executive Order *"Putting America First in International Environmental Agreements"*,²² which formally withdrew the United States from the Paris Agreement under the United Nations Framework Convention on Climate Change. Around this time, the US Treasury, the Federal Reserve and the FDIC abandoned the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).²³

It is important to highlight that several of these regulatory and supervisory developments have also targeted the tech sector and the digitalisation of finances. These

19 In addition to Bowman, the following agency heads have been nominated, although some have yet to be confirmed: Paul Atkins (Securities and Exchange Commission), Brian Quintenz (Commodity Futures Trading Commission) and Jonathan Gould (OCC). Travis Hill continues as acting Chairman of the FDIC Board of Directors.

20 Executive Order of 31 January 2025.

21 Executive Order of 18 February 2025.

22 Executive Order of 20 January 2025.

23 The NGFS is a group of Central Banks and Supervisors launched in 2017 to improve the financial sector's role in environment and climate risk management and to mobilise finance to support the transition toward a sustainable economy. Before and after the new US Administration was sworn in, several banks from the United States (Bank of America, Citigroup, Morgan Stanley, Wells Fargo, Goldman Sachs and JP Morgan) and Canada (Bank of Montreal, National Bank, Toronto Dominion Bank Group, CIBC and Scotiabank) withdrew from the Net Zero Banking Alliance (part of the Glasgow Financial Alliance for Net Zero).

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measures seek to boost the use of crypto-assets and stablecoins, providing greater flexibility for their use. See Box 4.1 for more details.

To date, the Executive Orders issued by the new Trump Administration have had a significant impact on various areas of financial regulation. It is highly likely that the

initiatives targeting greater financial deregulation in the United States will continue in the future, but this is subject to a high degree of uncertainty. In particular, initiatives in this area could to some degree be decided by the US authorities depending on the outcome of others, such as the tariffs, and more generally, the current global geopolitical tug of war.