

Vice Chair Bowman Talks Tailoring

February 26, 2026 | Issue No. Week 9



By Daniel Meade
Partner | Financial Regulation

In [opening remarks](#) at the Federal Reserve Bank of Atlanta's 2026 Banking Outlook Conference, Federal Reserve Vice Chair for Supervision Michelle Bowman outlined what she described as “the next horizon in banking” — a supervisory and regulatory agenda centered on clearer tailoring, capital recalibration, and a more disciplined focus on material financial risk. Vice Chair Bowman tied together three threads that have appeared across her prior speeches — tailoring, transparency, and pragmatism — and translated them into near-term supervisory and capital priorities.

Vice Chair Bowman emphasized “regulatory and supervisory tailoring” at the forefront of her remarks. In her formulation, tailoring is not merely a statutory requirement but a practical necessity. She noted that the supervisory approach should reflect “the risk that banks of different size and complexity pose to the financial system, in addition to the institution’s risk profile.”

This notion is particularly significant for community and regional institutions that assert supervisory expectations have drifted toward large-bank standards for all. Vice Chair Bowman signaled that the Federal Reserve intends to refine how it calibrates supervisory intensity and regulatory requirements — especially where smaller institutions present limited systemic risk.

She also pointed to ongoing review of the Fed’s approach to community bank mergers and acquisitions and de novo chartering, including modernization of the competitive analysis framework used in small and rural markets. While no formal proposal on changes to the Fed’s approach to bank M&A, Ms. Bowman’s comments suggest a desire to streamline applications and reduce friction in markets where competitive dynamics differ meaningfully from urban banking centers.

On regulatory capital, Vice Chair Bowman reported progress on proposed revisions to the Community Bank Leverage Ratio (“CBLR”) framework. The stated goal is to increase flexibility while maintaining “strict capital standards,” enabling qualifying community banks to operate under a simpler leverage-based regime without sacrificing resiliency.

She also previewed a forthcoming revisit of the mutual bank capital framework, signaling potential adjustments intended to preserve safety and soundness while ensuring access to capital structures appropriate to mutual institutions. Taken together, these remarks reinforce Vice Chair Bowman’s broader thesis: capital frameworks should be robust, but they should not impose unnecessary complexity or distort incentives for institutions that do not pose systemic risk.

Vice Chair Bowman also devoted substantial attention to large-bank capital architecture, identifying four core pillars: stress testing, the enhanced Supplemental Leverage Ratio (“eSLR”), Basel III implementation and the G-SIB surcharge framework.

On stress testing, she highlighted the Fed’s increased transparency around models and scenarios, including publication of the 2026 supervisory stress test scenarios. The objective, she suggested, is to reduce opacity and provide institutions and markets with greater clarity around capital expectations.

With respect to the eSLR, Vice Chair Bowman referenced last fall’s interagency modifications intended to ensure the leverage ratio functions as a true backstop rather than a binding constraint on low-risk activities, such as holding Treasury securities. The recalibration reflects a broader effort to ensure that leverage requirements complement — rather than override — risk-based capital measures.

On Basel III endgame implementation, Vice Chair Bowman stated that the agencies are advancing U.S. finalization, emphasizing a “bottom-up” approach and the importance of clarity for business planning. She also linked Basel work to

potential adjustments in the capital treatment of mortgages and mortgage servicing assets, arguing that prior calibration may have contributed to reduced bank participation in mortgage lending.

Finally, she noted that the G-SIB surcharge framework must balance safety and soundness with economic growth, underscoring the continued need for large institutions to support real-economy lending and market liquidity.

Vice Chair Bowman's remarks also emphasized day-to-day supervision. She referenced the Federal Reserve's recently published "Statement of Supervisory Operating Principles" and described a pivot away from siloed compliance exercises toward "unified, forward-looking risk assessments." In practical terms, she said that she has instructed examiners to focus on vulnerabilities that could lead to "a deterioration in financial condition or a bank's failure," rather than placing "excessive attention" on processes, procedures, and documentation.

Vice Chair Bowman was pointed in her critique of certain supervisory findings, citing Matters Requiring Attention ("MRAs") involving documentation gaps, committee attendance issues, or immaterial limit exceedances. She announced that the Fed has launched a comprehensive review of outstanding safety-and-soundness MRAs, with the goal of downgrading those that do not meet the revised materiality standard to nonbinding supervisory observations. That review is targeted for completion by the end of June. If implemented consistently, this recalibration could materially affect how banks experience examinations — shifting the emphasis from technical compliance to core financial resilience.

Bowman's remarks suggest tangible supervisory and capital developments in the coming year. Market participants should be on the look out for:

- Final action on CBLR revisions and mutual bank capital updates;
- Progress on Basel III endgame finalization and mortgage-related capital adjustments;
- Further stress testing transparency measures;
- Implementation of the MRA review and its impact on examination practices; and
- Any formal proposals updating community-bank competitive analysis.

In sum, Vice Chair Bowman's speech reflects continuity in principle — tailoring, pragmatism, and transparency — but signals operational shifts that could meaningfully reshape supervisory tone and capital calibration. For member banks and bank holding companies, the message is clear: capital standards remain firm, but supervisory expectations may become more explicitly aligned with risks that genuinely threaten institutional viability.