UNITED STATES SENATE COMMITTEE on
BANKING, HOUSING, & URBAN AFFAIRS
★ CHAIRMAN TIM SCOTT ★

The Financial Integrity and Regulation Management (FIRM) Act

Overview:
Financial regulators have weaponized their power to target disfavored political groups and individuals in America, hiding behind opaque veils of confidentiality and insincere proclamations of independence. We must rein in these rogue regulators.

Chairman Tim Scott's **Financial Integrity and Regulation Management (FIRM) Act** curtails the political weaponization of the Federal banking agencies by eliminating the ability for regulators to use "reputational risk" as a component of the supervision of federally regulated financial institutions.

The FIRM Act will:

- Eliminate all references to reputational risk as a measure to determine the safety and soundness of regulated depository institutions.
- Eliminate the Federal banking agencies' ability to promulgate new rules or guidance that use reputational risk to supervise or regulate depository institutions.
- Require the Federal banking agencies to report to Congress on their elimination of reputational risk as a component of the supervision of depository institutions.

This bill is narrowly tailored so that removal of this subjective factor does not affect quantitative supervisory measures (e.g. concentration risk, liquidity risk, etc.).

Background on Reputational Risk:

- The term "reputational risk" is commonly used by Federal banking agencies to refer to the potential that negative publicity or negative public opinion regarding an institution's business practices, whether true or not, will cause a decline in confidence in the institution, decline in the customer base, costly litigation, or revenue reductions.
- Through informal guidance, the Federal banking agencies—Federal Reserve, OCC, FDIC, NCUA—have incorporated reputational risk as a component to determine a federally regulated depository institution's supervisory rating.
- The use of reputational risk to determine a depository institution's supervisory rating is not required by statute and it is an improper use of supervisory authority. Federal banking agencies use reputational risk to prevent federally regulated depository institutions from providing financial services to industries that the agencies disfavor.