To: DBA and DFEA Members

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Subject: Legislative Update

Our purpose at the DBA/DFEA is to support you so that you are positioned to excel for your clients, employees, communities, and ultimately our neighbors in the State of Delaware and beyond. Advocating for our members is a key strategic priority for us, and sharing this month's Legislative Update is one way in which we execute on that priority. Note that there are always developments that occur right after we finalize this report, which we've not attempted to include here.

Please reach out and share with us your perspectives on the issues mentioned here. *Which are the key issues for you and your institution? Are there areas of legislative and regulatory activity not mentioned here that we ought to have on our radar screen? What information would be most useful to you?* Thank you for your membership!

STATE LEGISLATIVE ISSUES

The Delaware General Assembly concluded its 2026 legislative session in the early hours of July 1, bringing the work of the 153rd General Assembly to a close. With adjournment, the two-year legislative cycle officially ended, and all bills that were not enacted have expired.

The General Assembly approved the state's nearly $7 billion FY2027 operating budget, a $1.26 billion capital budget, and nearly $100 million in Grant-in-Aid funding. Before adjourning, lawmakers also acted on legislation involving property taxes, firearm regulations, marriage protections, voting rights, immigration enforcement, marijuana zoning, and energy policy.

Headline News – Title V Modernization

For Delaware's banking industry, the session concluded with a significant victory. Lawmakers passed a landmark banking modernization package representing the most comprehensive update to Delaware's banking laws since the Financial Center Development Act of 1981: Senate Bills 16, 18, and 19 were signed into law in a ceremony in the Governor's Wilmington office on July 6. This slate of bills modernizes the state's banking framework; strengthens Delaware's leadership in banking, trust services, financial technology, and digital assets; and establishes a clear regulatory framework for emerging financial technologies.

A companion bill, Senate Bill 327, authorizes the creation of Family Trust Companies in Delaware, further reinforcing the state's position as a premier trust and wealth management jurisdiction. This bill awaits the Governor's signature. Below is a reminder of what each bill accomplishes.

SB 16 modernizes Delaware's banking code by:

- Authorizing Delaware-chartered banks and trust companies to hold digital assets in a fiduciary capacity.
- Defining digital assets and virtual currency.
- Streamlining interstate trust company mergers and conversions.

- Expanding the State Bank Commissioner's administrative authority.
- Updating governance and administrative provisions.

SB 19 establishes Delaware's regulatory framework for payment stablecoins by:

- Creating a licensing structure for stablecoin issuers and digital asset service providers.
- Aligning Delaware regulation with emerging federal standards.
- Providing reciprocal licensing recognition with other states.
- Establishing a pathway for federally qualified issuers to transition to state oversight.

SB 18 modernizes Delaware's money transmitter laws by:

- Coordinating licensing with other states through the Nationwide Multistate Licensing System (NMLS).
- Updating safety and soundness requirements.
- Creating tiered capital and surety bond standards.

SB 32 establishes a charter for Family Trust Companies:

- Authorizes and directs the State Bank Commissioner to establish regulations, application forms, and practices that distinguish the regulatory requirements for a family trust company from commercial trust companies serving the public, based on their differing risk profiles.
- Permits Delaware based banks and trust companies to provide services and office space to family trust companies.

Additional Successful Legislation

<u>HB 380: Privacy</u>. HB 380 is an update to privacy legislation passed 3 years ago. The bill preserves the Gramm-Leach-Bliley Act exemption for regulated financial institutions and adds new contracting and due diligence requirements for businesses that share consumer information with third parties. It passed the House and Senate and awaits the Governor's signature.

<u>HB 465: Adding Virtual Currency to the Definition of Money Laundering</u>. This Act adds virtual currency to the money laundering definition in the criminal code and gives the State legal authority to attempt to return virtual currency for victims. It also provides that if money cannot be returned to the victims of the crime, or those victims are outside of the United States, the money should be disposed of per order of the Superior Court. The bill passed both the House and Senate and awaits the Governor's signature.

Successfully Challenged Proposed Legislation

<u>HB 315 Interchange</u>. We successfully opposed several bills that would have negatively impacted the banking industry – most notably, House Bill 315, which would have eliminated interchange fees on tips, did not advance.

<u>HB 306 Interactions with Chatbots and AI Systems</u>. Another huge success this session was stalling HB 306 in the Senate Banking Committee. HB 306, which would have required notice to consumers that they are interacting with a Chatbot or AI system, was successfully stalled in the Senate Banking Committee. After a contentious hearing on June 22, the bill couldn't garner enough votes to pass out of committee.

<u>Bill Draft - Rate Caps.</u> Another success was stopping rate caps on short-term loans. Draft legislation was being circulated which would cap interest rates on loans under $5,000 with terms of two years or less. Although aimed at payday lending, the banking industry has expressed concern that the proposal could establish a precedent for broader interest-rate caps. With the help of the Bank

Commissioner, we worked on an alternate proposal which would address concerns among these lenders through regulation, not rate caps.

Disappointing Miss (For Now)

HB 441 Virtual Currency Kiosks. A stakeholder working group, including the Delaware Bankers Association, Attorney General's Office, State Bank Commissioner, and consumer advocates, continued developing legislation addressing fraud involving virtual currency kiosks. The final bill introduced, HB 441, would have banned these kiosks outright, but as the bill made its way through the Senate, there was not an appetite to pass an outright ban.

Other Legislation Introduced but Not Passed

HB 451 – Fair Housing and Disparate Impact Liability. This bill clarified that Delaware's Fair Housing Act (Chapter 46 of Title 6) prohibits housing practices that have a discriminatory effect, commonly known as "disparate impact," even in the absence of discriminatory intent. The Act would codify a burden-shifting framework consistent with federal fair housing jurisprudence and regulations.

The bill was voted out of the House Housing Committee and passed the House on June 18. Most members were neutral, but we worked on an amendment to include language from a Supreme Court decision which required a "Robust Casual Link" between the challenged practice and a disparate link. Following our request for the "Robust Casual Link," the sponsor added an amendment to bring the bill further in line with federal statute, alleviating the need for our amendment. Ultimately HB 451 met resistance in the Senate and stalled there as the legislative session ended.

HB 453 – Consumer Protection and Surveillance Based Pricing. This bill would have prohibited surveillance-based price discrimination by forbidding the use of automated decision systems to set individualized consumer prices based on personal data, metadata, or proxy data, such as device identifiers and digital behavioral patterns, used to infer a consumer's socioeconomic status or urgency of purchase. The bill included an exemption for "pricing of financial services," but ultimately did not get a House Floor vote.

HS 1 for HB 211 – Innovating Delaware Act. This Substitute for House Bill 211 proposed the creation of the Innovate Delaware Program. This Program would allow an Economic Development Organization to apply for a tax credit program through the Division of Small Business. This Substitute also lowered the cap on appropriations to support the tax credit program from $10 million to $3 million in a calendar year. Unfortunately, the bill never gained traction and to move forward would need to be refiled in the 154th General Assembly in 2027.

Earned Wage Access – no bill number as it was not pre-filed. Legislation regulating earned wage access that was under development was halted due to other priorities, requiring Senator Mantzavinos to refile next legislative session if he is still interested in pursuing these efforts.

DIDMCA Litigation

Litigation continues regarding Colorado's attempt to opt out of the Depository Institutions Deregulation and Monetary Control Act (DIDMCA), which would allow the state to apply its interest-rate caps to certain out-of-state lenders. The Tenth Circuit has agreed to rehear the case en banc, delaying implementation of a preliminary injunction.

The team continues to make progress in the U.S. House on the American Lending Fairness Act of 2026, which would reaffirm the ability of state-chartered, FDIC-insured banks and credit unions to export their home-state interest rates nationwide. Representative Sarah McBride joined as a bipartisan co-sponsor, and the team is making progress with several other house members. Unfortunately, there has been no progress in the Senate, as Senator Moreno has declined to support it, but the team continues to work on gaining the support of Delaware Sens. Chris Coons and Lisa Blunt Rochester. The trades are currently circulating a letter for signatures and hope to share it with Congressional members in mid-July.

In Oregon, three leading financial services trade associations (the National Association of Industrial Bankers (NAIB), the Online Lenders Alliance (OLA), and the American Financial Services Association (AFSA)) have just filed a lawsuit in Federal District Court in the District of Oregon challenging a recently enacted Oregon law, effective June 5, 2026, that seeks to impose Oregon's 36% interest-rate cap on consumer finance loans made by out-of-state state-chartered banks in their home states to Oregon residents. The lawsuit contends that Oregon House Bill 4116 is preempted by federal banking law and, in part, violates the dormant Commerce Clause of the U.S. Constitution.

Oregon becomes one of only four jurisdictions to pass such legislation, joining Colorado, Puerto Rico and Iowa.

FEDERAL ISSUES

The Federal Administration, Congress, and bank regulators continue to discuss, propose, and direct significant changes to the framework of financial industry standards and oversight.

Executive

<u>CFPB Leadership</u>. The President has sent to the Senate his nomination of Brian Johnson to serve as Director of the Consumer Financial Protection Bureau (CFPB) for a five-year term. Mr. Johnson served as the CFPB's deputy director during the first Trump Administration, spent several years on the House Financial Services Committee staff, and joins most recently from Capital One. The Bureau has been operating under Acting Director Russell Vought since February 2025; the nomination now awaits Senate confirmation.

Regulatory

<u>Structural Matters.</u>

Regulatory Capital. The OCC, the Federal Reserve Board, and the FDIC jointly issued three interconnected notices of proposed rulemaking (the "2026 Proposals") to implement reforms undertaken by the international Basel Committee on Banking Supervision in response to the global financial crisis. The 2026 Proposals formally rescind the agencies' 2023 Basel III Endgame framework and, as recently explained by Vice Chair Michelle Bowman, are intended to "modernize" the U.S. regulatory capital framework for banking organizations of all sizes, notably bringing certain activities such as mortgage origination and servicing back within the agencies' regulatory perimeter. If adopted, the proposed rules would, among other things, eliminate the need for banking organizations to calculate risk weights using multiple methodologies in parallel and reduce the aggregate amount of Common Equity Tier 1 capital that banks are required to hold against losses — by an estimated 4.8 percent for Category I and II GSIB organizations, 5.2 percent for Category III and IV regional banking organizations, and 7.8 percent for community banking organizations.

Deposit Insurance Assessments. The FDIC is proposing to update the thresholds for defining an institution as small or large for purposes of calculating deposit insurance assessment rates, as well as revising the rate schedules overall.

Minority Depository Institutions (MDIs). The OCC is updating its methodology for the designation of MDIs (Bulletin 2026-26). Under the policy, the OCC defines an MDI to include a national bank or federal stock savings association that is at least 51% owned by one or more socially and economically disadvantaged individuals; MDIs also include federal mutual savings associations in which the majority of the board of directors, account holders, and the community served are predominantly minority.

Confidential Information Sharing. The FDIC has proposed a revision of its confidential supervisory information regulations that would significantly expand the ability of FDIC-supervised insured depository institutions to share information with certain parties without prior FDIC approval. The FDIC last updated these regulations in 1995.

De Novo Bank Formation. The Federal Financial Institutions Examination Council (FFIEC) issued a statement to reaffirm its support for the formation of de novo depository institutions given its view that such institutions "serve a vital role in maintaining a robust and diversified financial system." As it stated in its release on this topic, the FFIEC member entities "plan to continue efforts to address regulatory burden and obstacles to promote new depository institution formation."

Bank Secrecy Act (BSA)/Anti-Money Laundering (AML). The Financial Crimes Enforcement Network (FinCEN) issued updated guidance on Section 314(b) to promote greater information sharing between and among financial institutions to identify fraud, money laundering, terrorist financing, narcotics trafficking and related crimes, sanctions evasion, and other criminal activity. FinCEN, joined by the federal banking agencies (other than the Federal Reserve), also issued a joint advisory addressing financial activity involving non-work-authorized populations.

GENIUS Act Implementation. FinCEN and the federal banking agencies released a proposed joint rule to establish customer identification program (CIP) requirements for payment stablecoin issuers, as mandated by the GENIUS Act. The OCC issued a companion bulletin on the proposal. (*See also* below on stablecoin matters.)

AI and Cybersecurity. The Financial Stability Board issued a consultation report on sound practices for the responsible adoption of artificial intelligence, and the "Five Eyes" cyber security agencies issued a joint advisory on cybercrime enabled by AI.

Lending. In guidance issued in early June, the CFPB stated that creditors may be legally obligated to consider a consumer's immigration status for mortgage loans and credit cards, especially where removal from the U.S. may disrupt the consumer's income. Separately, the CFPB rescinded its 2020 advisory opinion on special purpose credit programs under Regulation B, which implements the Equal Credit Opportunity Act. And in research worth noting given the short-term lending rate cap discussions we have reported on the State side, Federal Reserve Bank of New York staff published a report finding that interest rate caps produce less lending.

Regulatory/Legislative

Stablecoins. Outreach on the interest and rewards issues with the Clarity Act companion to the GENIUS Act remains a top priority for our industry. We at the Delaware Bankers, with the ABA spearheading the effort, are scheduled to meet shortly with Delaware Senator Blunt Rochester to discuss this critical issue. Let us know if you would like to see the joint trades letter of May 8 to Chairman Scott and Ranking Member Warren, which details our asks to improve Section 404 of the Clarity Act. You can also reference last month's Legislative Update, which included detailed talking points from the ABA's Kirsten Sutton (who, most unfortunately, has since left the ABA to join the team at the Royal Bank of Canada as SVP, Global Government Relations & Public Policy).

Anti-Fraud.

Telecommunications. Following the FCC's unanimous vote, which we reported previously, to advance rules strengthening "know your customer" requirements for originating voice service providers to prevent or mitigate spoofing scams, the ABA and 10 other trade associations submitted a letter supporting the FCC's proposed rule, and we at the Delaware Bankers submitted a comment letter as well. The ABA has also provided a grassroots opportunity to support the proposal.

Payments. Rep. Young Kim (R-Calif.) has introduced the STOP Payment Fraud Act, which would allow financial institutions to place extended holds on suspicious checks and wire transfers while fraud claims are investigated.

Advertising. On a related note, Delaware's own Representative McBride is co-sponsoring the SCAM Act we've mentioned before, which would prohibit online platforms from displaying fraudulent or deceptive commercial advertisements. The Safeguarding Consumers from Advertising Misconduct (SCAM) Act has been introduced in both chambers — with companion bills S. 3774 and H.R. 7548 — but has not yet been passed.

Legislative

Cannabis Banking. Congress has reintroduced the SAFE Banking Act, a bipartisan bill to expand banking access for state-legal cannabis businesses. Per the introducing Congressman, Dave Joyce of Ohio, "Most state-legal cannabis businesses, both medicinal and recreational, are denied access to banking and financial services, as banks fear they may be prosecuted under federal law due to federal restrictions on cannabis. In turn, these businesses are forced to operate in cash, leaving them susceptible to criminal activities like money laundering, tax evasion, and armed robbery." The Act is intended to address these concerns by preventing federal banking regulators from restricting access to financial services for state-legal cannabis companies. The SAFE Banking Act has passed the House seven times with broad bipartisan support. You can show Congress your support for passage of the Act via our grassroots tool here.

Bank/Fintech Relationships. The House introduced legislation (H.R. 6552) that would require the banking regulators to study how partnerships between fintechs and banking organizations can support new banking organization formation and community bank health. The bill was introduced in the House by Reps. Andy Barr (R-Ky.) and Josh Gottheimer (D-N.J.) and cleared the House Financial Services Committee by unanimous vote; it was introduced in the Senate by Sens. Pete Ricketts (R-Neb.) and Catherine Cortez Masto (D-Nev.).

Housing. As we reported last month, the House passed The 21st Century ROAD to Housing Act (H.R. 6644). The Senate has now passed the reconciled bipartisan package by a vote of 85-5, and the House re-passed the final bill the following day by a vote of 358-32. The package would reward communities that build more housing supply, ease environmental review of new construction, rethink regulations that hamper additional lending for small-dollar mortgages, and expand tenant assistance and protections.

The legislation also includes provisions related to brokered deposits, bank examinations, de novo bank formation, and a mentor-protégé program pairing large financial institutions with smaller depository institutions. The President declined to sign the bill into law, saying lawmakers should first pass an unrelated elections bill; however, if he takes no action on the bill within 10 days of its passage, it will become law regardless.