To:	**DBA and DFEA Members**
From:	**Karyn S.W. Polak** **President, CEO, and Treasurer** ***and*** **David J. Mench** **Director of Government Affairs**
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Subject:	**Legislative Update**

Delaware Bankers Association

Delaware Financial Education Alliance

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

2026 Delaware Elections: Legislative Update

Delaware's 2026 election cycle is entering a critical phase, with the September 15th primary just two weeks away. As mentioned previously, voters will consider races at the federal, statewide and legislative levels, including contests for Attorney General, State Treasurer, and seats in the Delaware General Assembly.

Key Dates

- **September 15, 2026:** Primary Election
- **November 3, 2026:** General Election
- **Early voting:** September 2–13, subject to applicable election rules and schedules

Legislative and Statewide Races

On Thursday, August 13th, the Delaware Bankers held an out of session Government Affairs Committee meeting with special guest speakers Senator Bryan Townsend, the Senate Majority Leader,;Kerri Evelyn Harris, the House Majority Leader; and Nicholas Brock, the House Speaker's Chief of Staff. They discussed the influence of money flowing in from out of state, policy issues of most concern and the need for simple messaging when campaigning. They also talked about the unprecedented number of primaries in the 2026 elections cycle: six in the Senate and 18 in the House. They detailed the major issues being discussed, including healthcare/health equity, education and children who need customized plans (e.g. 504 plans and IEPs), and criminal justice reform. Thank you to all who joined us for a very informative election update.

Additionally, on Thursday, August 27th, the Delaware Bankers partnered with the Delaware State Chamber of Commerce on the Delaware State Treasurer Candidate Forum. Joining us were three candidates for State Treasurer: Ted Lauzen, Michael A. Smith, and Mike Miller. Mike Quaranta, Delaware State Chamber of Commerce President, moderated the event. For the panel, each candidate individually was given a designated time slot to address the attendees with opening comments, a pre-established list and set timeframe for questions to answer, and an opportunity for closing comments. No candidate or their staff were permitted to be in the room while another candidate engaged with the moderator. It was fantastic in particular to hear each candidate prioritize financial literacy. Each candidate brought a unique background, and we would encourage all our members to take time to learn more about each candidate.

2026 Elections and Delaware's Financial Services Industry

For the banking industry, these elections are particularly important, as the General Assembly in recent years has debated some very consequential banking legislation. Additionally, the corporate franchise,and Delaware's economy are facing challenges related to some Chancery Court rulings and the ageing of the Delaware personal income tax base. As mentioned, many races are attracting significant interest and financial support from organizations outside the state, which only underscores the need for the business community to be informed and engaged.

Key Races and Political Dynamics

Several legislative races are already attracting attention. The 1st Senate District, represented by Dan Cruce, is expected to be competitive, while the 12th House District, represented by Krista Griffith, is also among the races to watch. Current legislative maps show Democrats holding 15 of 21 Senate seats and 27 of 41 House seats.

There is also continued discussion surrounding the balance of power within the General Assembly. Governor Matt Meyer's involvement in several legislative contests, including endorsements of challengers to sitting senators, has added another dimension to the political landscape.

The Working Families Party is also seeking to expand its presence in Delaware politics. Even a small number of successful candidates could influence coalition-building and the balance of power within the House. This increased activity makes it especially important for the banking industry to maintain a strong, unified voice and remain engaged with candidates and policymakers.

Looking Ahead

The November 3rd general election remains important, but most legislative races will effectively be decided based on the September 15th primaries. Members should use the next two weeks to become familiar with the candidates in their districts and the issues that will shape the next General Assembly. The Delaware Bankers Association will continue to monitor the 2026 election cycle and provide members with updates on key races, candidates, and developments affecting Delaware's banking industry.

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

Cybercrime. Building on the cybersecurity efforts we have reported over the past two issues, the President directed federal law enforcement to create a new program that partners with the private sector to target transnational criminal organizations responsible for ransomware attacks, phishing campaigns, and other cybercrimes.

Regulatory

Structural Matters.

OCC/FDIC Supervisory Approach. The OCC in conjunction with the FDIC announced several important changes to their supervisory approach that warrant review. In the OCC's words:

1. The OCC, together with the FDIC, issued a final rule defining the term "unsafe or unsound practice" and revising the supervisory framework for the issuance of matters requiring attention (MRAs) and other supervisory communications. The rule is intended to promote greater clarity and certainty regarding certain enforcement and supervision standards and ensure that examiners prioritize concerns related to material financial risks. It also clarifies how the agencies will tailor their use of the "unsafe or unsound practice" definition and MRA standard based on institution-specific risk factors. The final rule also explicitly limits its scope to institutions the agencies supervise.

2. The OCC also announced additional actions to focus supervisory attention on the most significant risks and violations and to provide banks greater clarity, consistency, and certainty regarding the issuance of MRAs and enforcement actions. The OCC has substantially revised its Policies and Procedures Manuals (PPMs) relating to enforcement actions and MRAs to emphasize material financial risks, and for the first time, is publicly releasing its PPM 5400-11, "Matters Requiring Attention."

3. In addition, the OCC issued a proposal to codify its supervisory framework for the issuance of MRAs in response to violations of laws or regulations. The proposed rule would establish two categories of violations of laws: "substantive violations" and "technical violations." The proposed distinction intends to focus supervisory attention on violations that have the greatest impact on an institution or its customers. For violations that are not substantive in nature, the proposal would provide a mechanism for addressing them outside the MRA process.

Reciprocal Deposits. The FDIC issued a final interim rule to update its regulations on reciprocal deposits to conform with the 21st Century Road to Housing recently passed by Congress and provide certain clarifications regarding the reciprocal deposit framework to facilitate and simplify compliance. Under the rule and consistent with the Housing Act, an "agent institution" can except reciprocal deposits received through a deposit placement network from being classified as brokered deposits up to its applicable statutory cap. The rule is effective upon publication in the Federal Register, although there is still a comment period open for 30 days following publication.

Insider Lending (Regulation O). The Federal Reserve requested comment on a proposal to modernize its rule governing the extension of credit to bank "insiders" — executives, board members, and major shareholders who could potentially influence a bank's lending decisions. Regulation O has not been comprehensively updated since 1979, and the rule presents a particular challenge for community banks, whose board members and executives are often local business owners and civic leaders. The proposal updates dollar-based thresholds and indexes them to economic growth going forward, addresses unnecessary application of the rule to passive interests held by investment funds, codifies other statutory requirements, and incorporates long-standing regulatory interpretations. Per Vice Chair for Supervision Michelle Bowman, the proposal "modernizes Regulation O by updating outdated dollar-based thresholds and ensuring their future relevance, while preserving necessary safeguards." Comments are due 60 days after publication in the Federal Register.

Community Reinvestment Act (CRA). Following up on the joint proposal we reported last month, the FDIC and OCC are formally seeking comment on proposed changes to the CRA framework that would scale back portions of the 2023 rule and provide regulatory relief for many banks.

Bank-Fintech Partnerships. The FDIC is working with banking and financial technology trade associations — including the ABA, ICBA, the Bank Policy Institute, the Financial Technology Association, the American Fintech Council, and the Coalition for Financial Ecosystem Standards — to establish an independent standard-setting body that would help certify whether bank service providers meet federal regulatory guidelines. Per a July 21 draft term sheet, the effort would create the Banking Innovation Standards Development Organization (BISDO) together with a voluntary certification program called Risk-Assessed, Manageable Partnerships (RAMP). The idea is to set baseline standards making it easier for banks to evaluate whether fintechs and other third-party service providers meet risk management standards and to onboard those firms, so that vendor information can be "assessed once, refreshed over time, and reused by multiple banks" — an approach that should be particularly valuable to community banks that might not otherwise have the resources or expertise to evaluate multiple technology providers.

Importantly, participation would be voluntary, and certification would supplement rather than replace each bank's own responsibility for third-party oversight, conferring neither a regulatory endorsement nor a safe harbor. This analysis from our associate member Ballard Spahr LLP walks through the proposed structure and the open questions on governance, funding, and integration into federal and state examinations. No formal proposal or implementation timetable has been announced.

Beneficial Ownership. The Financial Crimes Enforcement Network (FinCEN) has finalized a rule removing the requirement for U.S. companies and persons to report beneficial ownership information (BOI) to the agency under the Corporate Transparency Act. The agency also will delete previously reported information from the BOI database. FinCEN has issued an FAQ on the final rule and plans to update its guidance to reflect the changes.

Confidential Supervisory Information. Related to the federal banking agencies' coordinated approach to highly sensitive examination information that we reported last month, the OCC has issued a notice of proposed rulemaking to implement structural and substantive changes to its rules governing the disclosure of OCC information. Among the proposed changes, the rule would establish a new subcategory of OCC nonpublic information called "confidential supervisory information" (CSI); modify the prior approval requirement for supervised entities to disclose CSI by expanding information-sharing exceptions for business efficiency, government accountability, and supervisory coordination, with tailored safeguards; provide for the release of certain aged CSI; clarify the OCC's position on referrals for criminal prosecution for unauthorized disclosure; and provide for expedited processing of Freedom of Information Act requests. The proposed rule would apply to all community banks.

Charters.

De Novo Applications. The FDIC announced new procedures for processing applications for federal deposit insurance. Among the key changes are a shift toward conditional approvals, fixed timelines for application review, and allowing applicants to file concurrently with both the FDIC and the chartering authority. This is a welcome development alongside the de novo formation efforts we have reported previously.

Digital Asset Charters. Speaking at the Wyoming Blockchain Symposium, Comptroller Gould noted that 23 of the 40 bank charter applications the OCC has received over the past 18 months involve digital asset activities — an eightfold increase over the prior four years — and defended the agency's approach on the view that "crypto is part of the business of banking." He also indicated the OCC expects to finalize federal stablecoin rules by November. On the application front, stablecoin firm Dakota has applied for an OCC trust bank charter, while the OCC rejected the charter application of Dutch neobank bunq. The OCC maintains a running list of digital asset licensing applications.

Preemption. At least 14 states and territories have enacted interest-on-escrow laws in recent years. In May, the OCC finalized two rules asserting federal preemption over such laws, arguing that the rules "emphasize federal preemption as a critical tool for reducing unnecessary burden, enabling local and national prosperity, and unleashing economic growth." A coalition of 10 states has now filed a lawsuit to block the two rulemakings, which were designed to establish a uniform federal framework for national banks operating across state lines. Given Delaware's reliance on federal preemption principles dating to the Financial Center Development Act, we are watching this litigation closely.

Special Purpose Credit Programs. The FDIC, OCC, National Credit Union Administration, CFPB, Department of Housing and Urban Development, Department of Justice, and Federal Housing Finance Agency have announced that they are rescinding the 2022 interagency guidance on special purpose credit programs (SPCPs), which sought to assure lenders that SPCPs established to meet the needs of certain populations were legal under the Equal Credit Opportunity Act. The CFPB and FHFA had previously suspended and reversed their own guidance and policies on SPCPs, and the CFPB's rescission of its 2020 advisory opinion was covered in our June issue. Note that the rescission does not eliminate SPCPs; lenders simply may no longer rely on the rescinded interagency statement in structuring their programs.

Legislative

Farm Bill. The ABA and Alliance partners successfully replaced a problematic Farm Credit amendment with a study amendment, avoiding harmful policy changes in the committee draft. Although the bill failed to advance out of committee, Senate Agriculture Committee leaders are expected to continue work on the legislation following the August recess.

Regulatory/Legislative

Stablecoins and the Clarity Act. The Clarity Act has stalled in Congress — not least because of the compelling case the banking industry, supported by a myriad of other industries that would suffer from the lending crunch that could result from deposit flight to stablecoins, made to individual members of Congress and through collective messaging at the national, state, and local levels. Recent coverage from The Wall Street Journal and Punchbowl News highlights both the need for improvements to the Clarity Act and the significant role bank industry advocacy, including efforts by banker associations, played in delaying Senate consideration. A Senate vote on the bill is currently scheduled for September 15, so our advocacy continues.

GENIUS Act Implementation. Treasury released proposed rulemaking to implement Section 3 of the GENIUS Act, which requires digital asset providers to obtain a federal or state license before issuing payment stablecoins.

Public-Private Joint Efforts

Anti-Fraud and Resilience.

Telecommunications. Adding to the FCC "know your customer" proceeding we have followed since the spring, all 50 state attorneys general — including our own in Delaware — signed a letter pushing the federal government to strengthen KYC obligations for originating voice service providers as part of efforts to combat illegal robocalls. Our thanks to all who signed.

Operational Resilience. A joint effort among the Treasury Department, FS-ISAC, and the ABA offers recommendations, along with U.S. government and private-sector resources, to help financial institutions prepare for and respond to cyberattacks, technology outages, natural disasters, and other significant events that affect operations.

Quantum Readiness. The Treasury Department announced the launch of a new public-private initiative "to help accelerate the U.S. financial sector's transition to quantum-safe technology." Quantum computers would theoretically be far more powerful than most modern computers and therefore pose significant cybersecurity challenges. The Quantum-Readiness Task Force will bring together government, financial institutions, financial market infrastructures, technology providers, and other private-sector leaders to support coordinated preparation for quantum-related cyber risks, Treasury said in a statement. The new effort expands on a roadmap for post-quantum cryptography in the financial sector previously published by the G7 Cyber Expert Group.