To: DBA and DFEA Members

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Date: August 3, 2026

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

2026 Delaware Elections

As Delaware prepares for the 2026 primary elections, voters across the First State will soon have an opportunity to shape the candidates who will appear on the November general election ballot. With races ranging from federal to statewide to local, the September primary represents one of the most important milestones in the election cycle.

The Primary Election is scheduled for Tuesday, September 15, 2026, with polls open from 7 a.m. to 8 p.m. Early voting will be available from September 2 through September 13, with no early voting on Labor Day (September 6-7).

State Legislative Races

Beyond the statewide contests for Treasurer and Attorney General, voters in many districts will select nominees for seats in the Delaware General Assembly. Eleven of the 21 State Senate seats and all 41 House of Representatives seats are part of the 2026 election cycle. This year features six state Senate primaries and 18 House primaries with some races having three and even four candidates.

Numerous contested primary races are drawing unprecedented levels of funding from out-of-state special interest groups. These organizations are investing heavily to influence Delaware's legislative priorities, making it more important than ever that our industry has a strong and unified voice.

It's also another reason why it is critically important to meet the candidates for your House and Senate districts and understand their policy views. For those not familiar with campaign finance, a contribution of up to $1,200 can be made to a candidate for a statewide race and $600 for a Senate or house seat. To this end, the Delaware Bankers are actively participating in the political process and are providing financial support to those candidates whose policy views align with the Delaware Bankers.

Why Primary Elections in Delaware are Important

In Delaware, only voters registered with a recognized political party may vote in that party's primary. Independent and unaffiliated voters do not participate in primary elections unless voting in a nonpartisan contest, which is very uncommon.

Primary elections are especially influential, where many districts strongly favor one party. In these areas, the primary often acts as the de facto election for the Senate or House seat.

FEDERAL ISSUES

Alongside the significant changes to the framework of financial industry standards and oversight that the Federal Administration, Congress, and bank regulators continue to discuss, propose, and direct, perennial issues remain in active discussion and evolution: digital assets, cybersecurity, the Community Reinvestment Act, fraud, interchange, and deposit insurance.

Executive

Cybersecurity. As we reported last month, the Administration issued an executive order directing federal agencies to take steps to counter the potential cybersecurity threats posed by artificial intelligence, including by calling for the creation of an "AI cybersecurity clearinghouse." In a statement, the White House announced that open-source software partners and critical infrastructure companies have now built a coordinated system, named "Gold Eagle," to receive and patch cyber vulnerabilities.

Regulatory

Structural Matters.

Mutual Banks. The Federal Reserve proposed sweeping updates to the mutual bank regulatory framework, expanding capital options and modernizing rules that have remained largely unchanged for more than 30 years. Among other updates, the proposal would clarify which instruments count as regulatory capital and reduce procedural burdens; comments are due 60 days after publication in the Federal Register.

Community Reinvestment Act (CRA). As foreshadowed at the June House Financial Services Committee hearing we reported previously, the OCC and FDIC issued a joint proposal to reform the CRA. Per the OCC, "Under the rulemaking, banks with $10 billion or less in assets would not be subject to data collection, maintenance, and reporting requirements and would receive more flexible supervision. The rulemaking would streamline other requirements and increase the clarity, transparency, and objectivity associated with CRA evaluations for banks of all sizes."

Community Bank Leverage Ratio (CBLR). An updated joint banking agencies CBLR Compliance Guide is now available. The updated guide is intended to help community banking organizations understand the revisions to the optional CBLR framework that went into effect July 1, 2026, which we reported when the final rule was issued this spring. The framework provides a simple measure of capital adequacy for certain community banking organizations and reduces regulatory burden while promoting safety and soundness.

Examinations and Confidential Information. The federal banking agencies (FBAs) announced a coordinated approach for the handling of highly sensitive information during examinations, acknowledging that certain categories of data and documents — including technology/network diagrams and schematics, detailed penetration test results, technical details of specific information technology control weaknesses, and succession planning — carry additional sensitivity and heightened risks from disclosure.

Under the coordinated approach, the FBAs will rely on bank management to identify data and documents requested for an examination that they believe should be considered highly sensitive, allowing the FBAs to evaluate whether additional protocols should be invoked. For highly sensitive information, the FBAs will consider a range of options to minimize collection and storage, including on-site review, direct digital review from the systems of the supervised bank, redacted or summarized versions of documents, and additional measures related to transmission of, and access to, sensitive information.

To support the industry in considering the newly announced approach, several industry groups including the ABA and the Bank Policy Institute issued a guidance document that "provides a set of risk-based practices to assist supervised institutions in identifying sensitive data that should be subject to alternate sharing methods to ensure that information is adequately protected in a threat environment where this information and the regulators that collect it are a target."

The Comptroller's First Year. Comptroller of the Currency Jonathan Gould marked his first year in office with remarks reflecting on the OCC's priorities and agenda.

Regulatory/Legislative

Stablecoins and the Clarity Act. We are still fighting the good fight on the stablecoin-related yield and rewards provisions in the Clarity Act draft. We believe targeted changes to market structure legislation for digital assets are all that are needed to ensure the crypto industry can thrive while protecting the deposit base that banks need to provide lending to communities. In particular, the Senate should make three changes to Section 10404 to clarify that covered parties may not directly or indirectly pay interest, yield, or substantially similar incentives in connection with the holding of payment stablecoins:

- Clarify the prohibition on stablecoin interest and yield so that it cannot be avoided through creatively structured rewards, incentives, or other consideration.
- Use a clearer "substantially similar" standard to prevent payment stablecoin arrangements from replicating the economic features of interest payments.
- Remove language that would allow rewards or benefits to be calculated by reference to balance, duration, or tenure, which risks undercutting the very prohibition the bill is intended to establish.

State Certification. The GENIUS Act allows payment stablecoin issuers to choose to be regulated under state-level regimes so long as those regimes are substantially similar to federal regulation. To review state-level regulations, the Act established the Stablecoin Certification Review Committee (SCRC), comprised of the Treasury Secretary and the heads of the federal banking agencies. The SCRC will also determine whether foreign issuers can operate in the U.S., and whether companies "not predominantly engaged" in financial activities may issue stablecoins. Delaware adopted legislation this past session to allow for state-level review and oversight of proposed stablecoin issuers.

Deposit Insurance. We believe the deposit insurance reform discussion will come back to the forefront once attention shifts off of the Clarity Act. Notably, whereas historically around 20% of deposits were not covered by FDIC insurance, today the average is closer to 40%.

Interchange. For those following the interchange debates we have covered extensively, we are sharing this recent report on the impact of interchange fee regulation.

Anti-Fraud.

Ecosystem. A new report by the House Financial Services Committee recognizes that fighting fraud and scams requires a whole-of-ecosystem response.

Telecommunications. The FCC has released a draft proposal to strengthen the Robocall Mitigation Database, which requires telecoms to provide information about their practices to prevent the transmission of illegal calls over their networks.

Student Aid. FinCEN issued an alert on fraud schemes targeting federal student aid.

Resources. Recall that the ABA maintains a Fraud Directory for its members; our peers in Kentucky report that the recoveries it helped facilitate more than paid for their ABA dues.

Legislative

Housing. Some good Congressional news: the bipartisan 21st Century ROAD to Housing Act (H.R. 6644), which we have covered over the past two Legislative Update issues, became law at midnight on Saturday, July 11 — without the President's signature, as he took no action within 10 days of the bill's passage.

Regulatory Relief. On a bipartisan vote, the House passed the Main Street Capital Access Act, a bill that provides a wide range of regulatory relief to banks. Among its provisions, the bill would establish a three-year phase-in period for de novo financial institutions to meet federal capital requirements, a 90-day deadline for agencies to make decisions on bank merger and acquisition applications, and a new requirement for agencies to consider an institution's risk profile and business model when issuing new regulations and supervisory decisions. The legislation now heads to the Senate.