August 17, 2026

Executive Secretary
Federal Financial Institutions Examination Council
L. William Seidman Center
3501 Fairfax Drive
Arlington, VA 22226

Re: Response to Request for Comment Regarding Proposed Revisions to the Uniform Financial Institutions Rating System (CAMELS)

Dear Executive Secretary,

On behalf of the American Fintech Council (AFC),[1] I appreciate the opportunity to submit this comment letter in response to the Federal Financial Institutions Examination Council's (FFIEC) request for comment regarding the proposed revisions to the Uniform Financial Institutions Rating System (UFIRS), commonly referred to as the CAMELS rating system (Proposed Rulemaking).[2] AFC commends the FFIEC for undertaking the first comprehensive modernization of the CAMELS framework in approximately three decades and for soliciting public input on a proposal that will significantly influence the supervisory landscape for federally insured depository institutions for years to come.

AFC is a standards-based organization and the largest and most diverse trade association representing financial technology companies and innovative banks. On behalf of more than 150 member companies and partners, AFC promotes a safe, competitive, and innovative financial system by advancing responsible innovation in financial services and encouraging sound public policy. AFC's membership includes banks of varying sizes, financial technology companies, payments providers, digital asset firms, lending platforms, and other participants that collectively possess substantial experience operating within the federal banking supervisory framework. Many AFC members are subject to ongoing prudential supervision and regularly engage with the federal banking agencies on matters involving examination standards, enterprise risk management, corporate governance, and safety and soundness.

CAMELS ratings influence supervisory strategy, regulatory applications, merger activity, expansion opportunities, and the allocation of supervisory resources, making the framework one of the most consequential supervisory tools available to the federal banking agencies. Accordingly, revisions to the framework should strengthen supervisory effectiveness while promoting greater transparency, consistency, and predictability in the examination process. A

[1] American Fintech Council's (AFC) membership spans EWA providers, BNPL and other lenders, banks, payments providers, loan servicers, credit bureaus, and personal financial management companies.
[2] Federal Financial Institutions Examination Council, "Uniform Financial Institutions Rating System," *Federal Register* 91, no. 96 (May 19, 2026): 28753–28798, https://www.federalregister.gov/documents/2026/05/19/2026-09944/uniform-financial-institutions-rating-system.

modernized rating system that appropriately distinguishes between material prudential risk and technical supervisory findings will better align examination outcomes with an institution's actual financial condition and risk profile while preserving the flexibility necessary for examiners to exercise sound supervisory judgment.

The importance of these revisions is further underscored by the significant evolution of the banking industry since the CAMELS framework was last comprehensively revised. Financial institutions increasingly rely upon technology enabled products, third party service providers, and innovative partnership models to expand access to financial services, and institutions partnering with financial technology companies have correspondingly faced heightened examination scrutiny and, at times, unclear or subjective regulatory expectations regarding governance, board oversight, third party risk management, compliance, and enterprise risk management. Throughout this period, AFC has consistently advocated for supervisory frameworks that promote fair, consistent, and risk based oversight of bank fintech partnerships and other innovative banking activities, recognizing that supervisory expectations should be sufficiently transparent and consistently applied to enable institutions to develop effective governance and risk management frameworks while ensuring that supervisory ratings remain focused on actual material prudential risk rather than the particular technologies or business models institutions employ.[3] Although rigorous supervision remains essential to maintaining the safety and soundness of the banking system, the CAMELS framework will be most effective if it promotes examination outcomes that are transparent, risk based, and consistently applied across similarly situated institutions.

AFC generally supports the FFIEC's objective of strengthening the relationship between CAMELS ratings and material safety and soundness considerations. In particular, AFC supports the proposal's efforts to place greater emphasis on material financial risk, reduce disproportionate reliance on any single component when assigning composite ratings, and improve transparency regarding supervisory expectations. At the same time, AFC believes the final framework would benefit from several additional refinements that would further promote supervisory consistency, reinforce risk-based examination principles, and provide institutions with greater clarity regarding how the revised standards will be applied in practice. The recommendations that follow are intended to advance those objectives while preserving the effectiveness, credibility, and long-term durability of the CAMELS framework.

I. AFC Supports a Materiality Based Supervisory Framework that Strengthens Safety and Soundness While Promoting Consistent Examination Outcomes

The proposed revisions appropriately recognize that CAMELS ratings should principally reflect those conditions that materially affect an institution's financial condition, resilience, and overall safety and soundness. Supervisory ratings carry significant regulatory consequences that extend well beyond the examination process itself. They influence supervisory strategy, expansion opportunities, merger activity, capital planning, and the overall relationship between an institution and its prudential regulator. Accordingly, adverse CAMELS ratings should be reserved for conditions that present meaningful prudential concerns rather than technical process

[3] American Fintech Council, *Letter to the Federal Deposit Insurance Corporation Regarding Regulating Innovation* (April 19, 2024).

deficiencies that, while appropriate subjects for supervisory attention, do not materially increase financial or operational risk.

AFC therefore supports the proposal's broader effort to strengthen the connection between supervisory ratings and material financial risk. A supervisory framework that appropriately distinguishes between significant prudential weaknesses and less consequential operational or procedural findings will produce examination outcomes that more accurately reflect an institution's overall condition while preserving supervisory credibility. Conversely, where examination ratings are influenced by deficiencies that have little demonstrable relationship to an institution's safety and soundness, the resulting ratings risk overstating supervisory concern and diminishing the utility of the CAMELS framework as an indicator of institutional health. Realizing the benefits of this approach will therefore depend, in significant part, on providing institutions and examiners with a sufficiently clear and consistently administrable understanding of material financial risk.

To make this materiality-based framework effective in practice, however, the FFIEC should provide greater specificity regarding what constitutes "material financial risk." Because that term would serve as a consequential threshold throughout the revised UFIRS framework, leaving it undefined could preserve substantial variation in how individual examination teams assess materially similar circumstances. AFC therefore recommends that the final framework define "material financial risk" as a risk having a reasonably foreseeable adverse effect on an institution's capital, earnings, or liquidity, assessed in light of both the severity and likelihood of the potential effect over an appropriate and identified time horizon. Such a determination should not require realized loss or observable financial deterioration, thereby preserving the forward-looking character of prudential supervision. Where an examiner determines that an identified weakness presents material financial risk, the examiner should document the transmission channel through which that weakness could affect the relevant CAMELS component. Further, where an institution has quantified the relevant exposure, examiners should consider that analysis and explain the basis for any material departure from it. At the same time, neither the absence of a quantitative estimate should preclude a determination of material financial risk nor the existence of such an estimate compel one. This approach would provide a more transparent and reviewable basis for materiality determinations while preserving the supervisory judgment necessary to assess emerging and institution-specific risks.

Importantly, this distinction does not suggest that operational, governance, compliance, or documentation weaknesses should be disregarded. Rather, the supervisory process already provides regulators with numerous tools to address such matters through ongoing examination dialogue, Matters Requiring Attention, supervisory recommendations, and other corrective mechanisms designed to promote timely remediation. Those supervisory tools remain critically important and should continue to encourage strong risk management practices across the banking industry. CAMELS ratings, however, serve a different purpose. They should principally communicate an institution's overall financial condition and the extent to which identified weaknesses materially affect its safety and soundness.

A materiality based supervisory framework would also reinforce the long-term integrity of the CAMELS rating system. Institutions should have confidence that supervisory ratings communicate meaningful distinctions regarding their overall safety and soundness rather than reflecting isolated procedural shortcomings that do not materially affect their condition. Likewise, supervisors benefit from a framework that more clearly distinguishes between findings requiring corrective attention and those warranting adverse supervisory ratings. Preserving that distinction would strengthen the credibility of CAMELS as the federal banking agencies' principal supervisory rating system and ensure that examination outcomes remain closely aligned with actual institutional risk.

Finally, AFC encourages the FFIEC to further clarify within the final guidance that supervisory ratings should reflect the cumulative effect of material prudential risks rather than isolated procedural shortcomings. Such clarification would reinforce the proposal's stated objective of better aligning CAMELS ratings with institutional safety and soundness while preserving the agencies' ability to address less significant supervisory concerns through existing examination processes. A materiality-based framework would ultimately promote more accurate supervisory assessments, encourage proportionate regulatory responses, and provide institutions with greater confidence that examination outcomes will remain closely tied to their actual financial condition and risk profile.

II. AFC Supports a Balanced Composite Rating Framework that More Accurately Reflects Overall Institutional Condition

The FFIEC's proposal to eliminate the longstanding directive that the Management component receives "special consideration" when assigning composite ratings would constitute one of the most meaningful improvements to the CAMELS framework. Composite ratings would more accurately reflect an institution's overall financial condition and risk profile if they are derived from a balanced evaluation of all six CAMELS components rather than permitting any single component to exert disproportionate influence absent circumstances demonstrating that the underlying weakness materially affects the institution's safety and soundness. Recalibrating the relationship between the Management component and the composite rating would therefore better align supervisory outcomes with the fundamental purpose of the CAMELS framework by ensuring that composite ratings represent an integrated assessment of an institution's overall condition.

Consistent with that approach, AFC supports requiring examiners to provide a documented explanation where a single CAMELS component materially drives the composite rating. Such documentation should identify the specific condition or risk that warrants the component's disproportionate influence and explain how that condition affects the institution's overall financial condition or safety and soundness. At the same time, AFC does not believe the framework should establish a presumption that circumstances in which one component drives the composite rating must be rare. Where the facts support such an outcome, examiners should retain the ability to assign the appropriate rating without regard to an implicit numerical or frequency-based expectation. A presumption of rarity could unintentionally distort supervisory judgment by encouraging adjustments to otherwise satisfactory components merely to support a composite rating, or by shifting legitimate supervisory concerns into other mechanisms carrying more significant consequences. The appropriate safeguard would therefore be rigorous documentation and a demonstrated prudential nexus, rather than an expectation regarding how frequently such outcomes should occur.

That recalibration would be particularly important because the Management component is inherently more qualitative than the remaining CAMELS factors. Unlike capital adequacy, asset quality, earnings, liquidity, and sensitivity to market risk, which frequently rely upon objective financial metrics and measurable performance indicators, the Management component requires examiners to exercise judgment when evaluating governance practices, board oversight, internal controls, strategic decision making, and enterprise risk management. That exercise of supervisory judgment is both necessary and appropriate. At the same time, the inherently qualitative nature of the Management component further underscores why it should not receive predetermined, disproportionate weight when determining an institution's composite rating. Instead, it should be evaluated alongside the remaining CAMELS components as part of a balanced assessment of the institution's overall financial condition and risk profile.

In refining the Management component, AFC also encourages the FFIEC to retain an appropriately tailored evaluation factor addressing the responsiveness of an institution's board of directors and management to significant audit and supervisory findings. The proposal would remove the existing factor concerning responsiveness to recommendations from auditors and supervisory authorities while continuing to evaluate the adequacy of audits, internal controls, and recordkeeping. Although AFC supports the broader effort to focus the Management component on matters bearing a meaningful relationship to safety and soundness, the effectiveness of an audit or supervisory process depends in significant part on whether material deficiencies identified through that process receive appropriate attention and remediation. Excluding management responsiveness altogether could therefore create an unintended disconnect between evaluating the adequacy of an institution's control functions and evaluating whether management acts upon significant weaknesses those functions identify.

Accordingly, rather than eliminating the factor in its entirety, AFC recommends narrowing it to focus on "the effectiveness of the board of directors and management in responding to findings from internal audit, external audit, and supervisory authorities that have been assessed as presenting material financial risk or significant noncompliance with laws or regulations."[4] This approach would preserve appropriate supervisory consideration of management's remediation practices without allowing routine, technical, or immaterial findings to exert disproportionate influence over the Management rating. It would also complement the proposal's broader materiality-based framework by ensuring that responsiveness remains relevant where the underlying matter is itself sufficiently significant to warrant consideration in the CAMELS framework.

Separately, the proposed revisions to the Management component rating definitions would establish a more appropriate threshold for assigning adverse supervisory ratings. Limiting Management ratings of 3 or worse to circumstances involving material financial risk, significant governance failures, unreliable financial or regulatory reporting, or significant noncompliance with applicable law would more appropriately distinguish between supervisory findings that warrant corrective attention and those that justify a meaningful downgrade in an institution's

[4] See Federal Financial Institutions Examination Council, "Uniform Financial Institutions Rating System," 29130–31.

supervisory profile. Institutions should unquestionably maintain effective governance structures, strong internal controls, and sound risk management practices. Supervisory ratings, however, should remain proportionate to the severity and practical consequences of identified weaknesses rather than treating every governance or procedural deficiency as carrying equivalent prudential significance.

The final framework should likewise provide greater clarity regarding what constitutes "significant noncompliance with law or regulation." Under the proposed Management rating definitions, significant noncompliance may independently support a rating of 3 even where the underlying condition does not otherwise result in material financial risk. Without further calibration, that alternative basis for an adverse Management rating could introduce precisely the type of supervisory variability that the proposed revisions otherwise seek to reduce. AFC therefore encourages the FFIEC to establish criteria that distinguish program-level or systemic compliance failures from technical, isolated, or promptly corrected violations.

In assessing whether noncompliance is sufficiently significant to affect a CAMELS rating, examiners should consider the type, severity, frequency, and duration of the noncompliance; whether the condition reflects a broader programmatic or systemic failure; whether the institution identified the condition through its own compliance or risk management processes; the presence and extent of resulting harm; any restitution or other corrective action undertaken; and whether the institution has identified and remediated the underlying root cause. Providing these criteria would preserve appropriate supervisory consequences for serious compliance failures while reducing the risk that isolated or technical violations, particularly those promptly identified and corrected, disproportionately influence an institution's Management or composite rating.
AFC also supports recalibrating the manner in which specialty review findings inform CAMELS ratings. Specialty examinations serve important supervisory objectives, but the concerns identified through those reviews do not invariably bear the same relationship to an institution's overall financial condition or safety and soundness. Under the existing framework, however, a finding arising in a discrete specialty area may influence the Management component and, through that component, carry consequences for the institution's broader supervisory profile that exceed the significance of the underlying issue. This dynamic can obscure the distinction between a matter warranting remediation and a weakness that genuinely calls into question the institution's financial resilience or the effectiveness of its overall management framework. The revised approach would help restore that distinction by requiring a more meaningful nexus between the specialty finding and each prudential judgment reflected in the CAMELS rating. In AFC's view, this would produce more accurate and proportionate supervisory outcomes while preserving the agencies' ability to give appropriate weight to specialty findings where their severity, breadth, or consequences demonstrate a genuine institution wide concern.

The final framework should also guard against the same underlying supervisory finding being independently used to support multiple adverse rating consequences without a distinct prudential basis for each. Where a specialty review finding influences both a specialty rating and a CAMELS component, or where a single finding is considered across multiple CAMELS components or in both a component and composite rating, the examiner should identify and document the separate safety and soundness consequence supporting each use of that finding. A single supervisory issue should not, standing alone, generate multiple adverse rating effects merely because it can be characterized through more than one supervisory lens.

Accordingly, AFC recommends that the final framework expressly provides that a single finding will not independently support adverse ratings across multiple components, or across both a component rating and the composite rating, unless the examiner documents a distinct safety and soundness consequence supporting each. This clarification would reduce the risk of duplicative weighting while preserving the agencies' ability to recognize circumstances in which a single underlying condition genuinely produces separate and independently material prudential effects. Taken together, these safeguards would also promote more constructive supervisory engagement between institutions and their regulators. Financial institutions would be better positioned to prioritize remediation efforts when examination findings clearly distinguish routine supervisory matters from deficiencies presenting material threats to safety and soundness. Conversely, if relatively minor governance or process weaknesses routinely resulted in adverse Management ratings, institutions could encounter greater difficulty distinguishing among findings of varying supervisory significance. Preserving that distinction would enhance the credibility of examination outcomes while allowing supervisory attention to remain focused on the issues presenting the greatest prudential concern.

Furthermore, the final framework would benefit from additional clarification regarding the circumstances under which governance and risk management weaknesses that have not yet produced observable financial deterioration nevertheless would warrant a lower Management rating. Effective prudential supervision often requires a forward-looking assessment of emerging risks. At the same time, institutions would benefit from greater transparency regarding the threshold at which qualitative governance concerns become sufficiently significant to affect supervisory ratings. Providing that additional clarity would improve the predictability of examination outcomes while preserving the flexibility necessary for examiners to respond proactively to developing risks before they materially affect an institution's condition.

Additionally, AFC encourages the FFIEC to reaffirm that governance expectations should remain appropriately tailored to an institution's size, complexity, business model, and risk profile. Effective governance does not require every institution to adopt identical organizational structures or risk management frameworks. Likewise, supervisory expectations should recognize that institutional complexity is not determined solely by asset size. Smaller institutions may engage in activities or partnership models that present sophisticated operational or compliance considerations, while larger institutions may present comparatively straightforward supervisory profiles. Accordingly, governance expectations should remain appropriately calibrated to the nature, complexity, and risks of each institution's activities rather than relying upon asset size alone. Community banks, regional institutions, and banks engaged in innovative activities may reasonably employ different governance models while maintaining strong oversight and prudent risk management. A principles based, risk focused supervisory framework that evaluates governance according to the risks presented, including the practical allocation of authority and influence within an institution's operating model, rather than against uniform organizational template, would encourage responsible innovation while preserving the rigorous standards necessary to support a safe, resilient, and competitive banking system.

AFC further supports aspects of the proposal that strengthen the framework's treatment of identifiable financial risks. In particular, the addition of risks arising from off-balance-sheet activities and contingent liabilities to the Capital Adequacy evaluation factors appropriately recognizes that material exposures may arise outside an institution's traditional balance-sheet positions. AFC similarly supports the proposal's emphasis on contingency funding plans that provide for operationalized and confirmed access to reliable funding sources. These revisions appropriately focus supervisory attention on demonstrable sources of financial and liquidity risk and are consistent with a broader CAMELS framework that is rigorous, risk based, and appropriately tailored to an institution's actual exposures.

The same principles of risk sensitivity and appropriate tailoring should extend to the Liquidity component, particularly where an institution obtains a meaningful portion of its deposits through third-party programs or intermediaries. The proposal appropriately considers funding concentrations and the trend and stability of deposits, but those factors may not fully capture the liquidity characteristics of deposits for which the institution holds the deposit relationship while a third party plays a significant role in customer acquisition, servicing, or the customer-facing relationship. In such circumstances, the stability and potential movement of those balances may depend not only on the institution's financial condition or pricing decisions, but also on contractual arrangements, program-level concentration, customer relationships, and the continued operation of the third-party channel—such as a fintech company.

Accordingly, AFC recommends that the Liquidity evaluation factors expressly consider "the extent, concentration, and stability of deposits sourced through third parties, including concentration by program or intermediary, contractual termination and notice provisions affecting those balances, and the empirical support for behavioral assumptions applied to deposits that the institution does not itself acquire or service."[5] Incorporating these considerations would allow examiners to evaluate the actual liquidity characteristics of an institution's funding profile rather than relying on assumptions developed principally for more traditional deposit channels. At the same time, the factor should remain principles based and should not presume that deposits obtained through third parties are inherently less stable. In fact, as AFC has previously noted, these deposits are functionally quite stable within the bank's portfolio.[6] Notably, consumers engage with these accounts just as they would with traditional demand deposit accounts by depositing their paychecks into them and tying the accounts to their debit card transactions.[7] Those same considerations are relevant when institutions incorporate deposit behavior into their measurement of interest rate and other market risks.

Related considerations should inform the Sensitivity to Market Risk component. In particular, the adequacy of an institution's market risk measurement practices should account for the assumptions used to model the behavior of non-maturity deposits, including where those deposits are sourced through third-party programs or intermediaries. AFC therefore recommends that the relevant evaluation factor expressly consider the transparency, empirical support, and sensitivity

[5] See Federal Financial Institutions Examination Council, "Uniform Financial Institutions Rating System," 29138.
[6] American Fintech Council, "Federal: American Fintech Council Comment Letter to FDIC Brokered Deposits Proposed Rule," comment letter to James P. Sheesley, Assistant Executive Secretary, Federal Deposit Insurance Corporation, November 21, 2024, https://fintechcouncil.org/advocacy/federal-american-fintech-council-comment-letter-to-fdic-brokered-deposits-proposed-rule.
[7] Ibid.

testing of behavioral assumptions applied to non-maturity deposits. Examiners should assess whether assumptions concerning deposit repricing, decay, retention, and other relevant behavioral characteristics are reasonably supported by the institution's actual experience and risk profile rather than evaluating those assumptions principally by reference to conventional retail deposit models. This approach would promote more accurate assessments of interest rate and market risk while preserving appropriate flexibility for institutions to employ methodologies suited to the nature and composition of their particular deposit base.

Equally important, the revised framework should remain technology neutral in both its design and application. Institutions should be evaluated according to the effectiveness of their governance, risk management, and internal control environments rather than the technologies they employ to achieve those objectives. Supervisory expectations that remain focused on outcomes rather than particular technological approaches will better accommodate continued innovation while ensuring that institutions adopting emerging technologies are evaluated according to the same prudential standards applicable to all supervised institutions. A technology neutral supervisory framework is particularly important as financial institutions continue to deploy novel technologies that strengthen operational resilience, enhance risk management capabilities, improve compliance monitoring, and increase the efficiency and effectiveness of banking activities. The revised CAMELS framework should encourage the responsible adoption of such innovations by ensuring that supervisory evaluations remain focused on the risks presented and the effectiveness of institutional controls rather than the novelty of the underlying technology.

This principle is particularly important with respect to the proposal's treatment of additional evaluation factors arising from "exceptional circumstances or evolving business practices." AFC recognizes that the CAMELS framework must retain sufficient flexibility to account for emerging risks and developments that could not reasonably be captured through a static set of evaluation factors. That flexibility, however, should not permit the use of an institution's particular technology, delivery channel, partnership structure, or business model as a substitute for identifying the underlying prudential risk presented. Rather, any additional evaluation factor should relate to an identifiable risk or exposure and bear a demonstrable connection to the CAMELS component being assessed.

Consequently, AFC recommends that the final framework provide that any additional evaluation factor must be tied to a specific channel through which the factor affects the component being rated. The examiner should disclose the additional factor and the supporting rationale to the institution in the report of examination, and the institution should have an opportunity to seek review of its inclusion through the applicable supervisory appeals process. These safeguards would preserve the flexibility necessary to address genuinely evolving risks while promoting transparency and reducing the possibility that novel technologies, delivery channels, or business models become independent bases for heightened supervisory treatment without a demonstrated nexus to safety and soundness.

III. AFC Supports Greater Supervisory Transparency and Consistent Examination Standards that Promote Regulatory Certainty

More broadly, the proposed rulemaking would meaningfully improve supervisory transparency by providing more clearly defined evaluation factors and rating definitions throughout the CAMELS framework. Continued refinement of those standards would further promote consistent examination outcomes while providing institutions with greater certainty regarding the supervisory expectations against which they will be evaluated. A supervisory framework that is both transparent and consistently applied would strengthen confidence in the examination process without limiting the discretion necessary for examiners to respond to institution specific risks and circumstances.

Although supervisory judgment will always remain an essential feature of prudential supervision, institutions presenting comparable financial conditions and risk profiles should reasonably expect comparable supervisory outcomes regardless of charter type, geographic location, or primary federal regulator. Greater consistency in the application of the revised framework would improve regulatory certainty, reduce unnecessary examination variability, and reinforce confidence that CAMELS ratings reflect objective supervisory standards rather than differences in examination approach among agencies or examination teams.

For that reason, AFC encourages the FFIEC to publish additional implementation guidance following adoption of the revised framework. Supplemental guidance describing how the revised evaluation factors should be applied in practice, including illustrative examination scenarios where appropriate, would assist both examiners and supervised institutions in developing a common understanding of the revised standards. Such guidance would not constrain supervisory discretion. Rather, it would promote more consistent implementation by providing a clearer framework within which that discretion may be exercised.

AFC likewise encourages the FFIEC to accompany the revised framework with robust examiner training and implementation materials designed to promote consistent supervisory practices across examination teams and agencies. Experience has demonstrated that differences may sometimes emerge between supervisory policy objectives established at the agency level and the manner in which those expectations are applied during examinations. Comprehensive examiner training, supported by practical implementation guidance and ongoing interagency coordination, would help ensure that the revised framework is administered consistently and in accordance with the FFIEC's stated supervisory objectives. AFC also encourages the FFIEC to provide greater clarity regarding how the revised framework will be communicated and operationalized across examination teams following adoption, thereby providing supervised institutions with a clearer understanding of how the revised standards will be applied in practice.

Effective implementation will also require clear transition provisions. AFC therefore encourages the FFIEC to establish a defined effective date for the revised framework and to clarify how the new standards will apply to existing CAMELS ratings, open examination findings, and outstanding supervisory actions. In particular, institutions should understand whether findings or rating determinations established under the current framework will be reassessed where the revised standards would materially alter the basis for the original supervisory conclusion. Providing clear transition guidance would reduce uncertainty, promote consistent treatment across examination cycles, and help ensure that institutions are not subject to continuing supervisory consequences based principally on standards the FFIEC has subsequently determined should be revised.

AFC further encourages the FFIEC to promote consistent adoption and implementation of the revised framework among participating state supervisory authorities. Because state and federal regulators frequently conduct coordinated or joint examinations, differing approaches to adoption or implementation could undermine the consistency that the proposed revisions are intended to promote. The FFIEC should therefore use the State Liaison Committee and other appropriate interagency mechanisms to encourage alignment regarding adoption of the revised UFIRS framework and should make relevant implementation guidance and examiner training available to state examination personnel. Greater federal and state coordination would help ensure that similarly situated institutions are evaluated under comparable supervisory standards regardless of charter or examining authority.

AFC likewise believes that institutions would benefit from greater transparency regarding the basis for significant rating determinations, particularly where qualitative supervisory judgments materially influence component or composite ratings. Clear communication regarding the principal factors supporting supervisory conclusions would facilitate more productive dialogue between institutions and examiners, improve remediation efforts, and reduce uncertainty regarding supervisory expectations during future examinations.

AFC also believes that continued refinement of the supervisory appeals process would further strengthen confidence in the revised CAMELS framework. Given that supervisory ratings and related findings may significantly affect an institution's regulatory standing, strategic opportunities, and ongoing supervisory relationship, institutions should have access to a transparent, timely, and meaningful process for seeking review of material supervisory determinations. To promote confidence in that process, review should be conducted by personnel sufficiently independent from the supervisory office or examination team responsible for the challenged determination, pursuant to a clearly articulated standard of review. The appeals process should also be structured to permit resolution within a timeframe that allows the institution to obtain meaningful relief before the next examination cycle or before the challenged determination produces avoidable downstream consequences. In addition, institutions should be permitted to seek review, where appropriate, of material component ratings and individual supervisory findings rather than being limited solely to challenges involving a composite rating. Finally, the agencies should make clear that institutions may exercise available appeal rights without fear that doing so will adversely affect their supervisory relationship or result in retaliatory treatment. These safeguards would promote accountability, reinforce consistency in supervisory decision making, and enhance confidence that examination outcomes accurately reflect an institution's financial condition and risk profile.

Finally, AFC encourages the FFIEC to continue engaging with industry stakeholders following implementation of the revised CAMELS framework. The proposed revisions represent the first comprehensive modernization of the rating system in approximately three decades, and supervisory practices will inevitably continue to evolve alongside the banking industry. Maintaining an ongoing dialogue with supervised institutions and other stakeholders would provide valuable opportunities to identify implementation challenges, promote consistent supervisory practices, and consider future refinements as banking activities, technologies, and risk management practices continue to develop.

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AFC appreciates the FFIEC's consideration of these comments and its continued efforts to strengthen the Uniform Financial Institutions Rating System. The proposed revisions present an important opportunity to further align supervisory ratings with material safety and soundness considerations while enhancing transparency, consistency, and confidence throughout the examination process.

As the FFIEC moves toward a final framework, AFC respectfully encourages the agencies to ensure that CAMELS ratings remain focused on material prudential risk, that composite ratings appropriately reflect an institution's overall financial condition and risk profile, and that the revised standards are implemented in a manner that promotes transparent, consistent, and predictable supervisory outcomes. Collectively, these recommendations would further strengthen the effectiveness, credibility, and long-term durability of the CAMELS framework while preserving the supervisory flexibility necessary to respond to the evolving risks facing the banking industry.

AFC stands ready to engage in continued collaboration and substantive dialogue with the FFIEC throughout the finalization and implementation of the revised Uniform Financial Institutions Rating System and welcomes the opportunity to serve as a resource as the agencies continue this important effort.

Sincerely,

Ian P. Moloney

Ian P. Moloney
Chief Policy Officer
American Fintech Council