



Insights: Publications

The Art of Managing Your Regulator

Bank Director Magazine

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Exams have gotten tougher, and prudential regulators are focusing intensely on bank funding, interest rate risk and liquidity management. This complimentary article from the first quarter issue of Bank Director magazine looks at how banks will need to respond as supervision becomes more intrusive.

“In my experience, when regulators are burned or they're embarrassed or they're criticized — however you want to define it — their goal is to see that it doesn't happen again,” says [Gary Bronstein](#), who heads up the financial services practice at Kilpatrick Townsend & Stockton in Washington. “And therefore, they're going to become more aggressive, more assertive, and they're going to probably in some cases go too far and become too aggressive.”

Bronstein says the current exam cycle for banks has been “difficult,” and he believes the regulators' goal “is to improve the speed in which things are resolved.” Indeed, the Office of the Comptroller of the Currency — which oversees banks with national charters— revised its Policies and Procedures Manual for bank enforcement actions in May 2023, even though none of the failed banks had a national charter. Under the revised guidelines, any bank that fails to correct persistent weaknesses in response to prior enforcement actions could be subject to a range of actions, including demands that it reduce its asset size or divest subsidiaries or business lines.

In fact, Bronstein says that one of his firm's mid-sized bank clients was downgraded recently by its federal regulators without an exam. “That is very unusual,” he says. “Haven't seen it in a long time ... but they're probably not alone. I just happen to know about it because it's a client.”

Related People



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