

SUMMARY OF EXECUTIVE ORDERS

RESTORING INTEGRITY TO AMERICA'S FINANCIAL SYSTEM

INTEGRATING FINANCIAL TECHNOLOGY INNOVATION INTO REGULATORY FRAMEWORKS

Executive Summary: The two Executive Orders above introduce potential material changes to regulatory expectations, competitive dynamics, and operational risk for community banks:

1. Enhanced Customer Due Diligence (CDD) requirements tied to immigration/work authorization status
2. Expansion of nonbank access to financial infrastructure and regulatory frameworks

Collectively, these actions may increase compliance burden, elevate operational and reputational risk, and accelerate deposit competition from nonbanks, potentially impairing community bank funding and lending capacity.

Executive Order I: Financial System Integrity / CDD Expansion

Regulatory Direction

- Treasury directed to strengthen oversight of financial system exploitation
- Potential expansion of CIP/CDD requirements to include verification of lawful immigration/work authorization status
- CFPB directed to evaluate borrower ability-to-repay impacts tied to deportation or loss of income

Potential Compliance Implications

- Likely need for CIP/CDD policy revisions and procedural updates
- Enhanced customer identification and verification requirements
- Increased staff training and monitoring obligations
- Uncertainty regarding treatment of:
 - ITIN-based accounts
 - Foreign consular identification usage

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Risk Assessment

Risk Type	Impact
Compliance Risk	Significant increase in documentation, verification, and monitoring expectations
Operational Risk	System and process changes; staffing and training demands
Legal/Regulatory Risk	Ambiguity in rulemaking creates risk of inconsistent implementation
Reputational Risk	Potential constraints on serving non-citizen customer segments
Strategic Risk	Undermines prior efforts at financial inclusion

Considerations

- Governance of CIP/CDD framework updates
- Risk-based methodology for any new verification requirements
- Documentation supporting customer acceptance decisions
- Change management and training program adequacy

Executive Order II: Fintech Integration / Competitive Expansion

Regulatory Direction

- Removal of barriers to nonbank participation in financial services
- Evaluation of Federal Reserve payment account access for nonbanks
- Review of restrictions on fintech access to:
 - Bank charters
 - Deposit/share insurance
 - Federal licenses

Potential Strategic Implications

- Reduced reliance on bank-fintech partnerships
- Potential for direct competition between banks and fintechs
- Increased participation of digital asset and nonbank entities in core financial infrastructure

Risk Assessment

Risk Type	Impact
Liquidity Risk	Deposit outflows to fintechs, crypto, and stablecoin platforms
Funding Risk	Reduced access to stable, low-cost core deposits
Competitive Risk	Accelerated disintermediation of traditional banking model
Systemic Risk	Concerns regarding undercapitalized nonbanks accessing Fed systems

Considerations

- Deposit stability and diversification strategy
- Liquidity contingency planning (LCR/CFP alignment where applicable)
- Strategic response to fintech competition
- Monitoring of emerging risks associated with digital asset ecosystems

Overall Community Bank Impact

- Increased regulatory burden without commensurate scaling flexibility
- Heightened compliance expectations in areas outside traditional banking controls
- Structural shift in competitive landscape, favoring nonbanks
- Potential constraint on lending capacity due to deposit displacement

Management Action Considerations

- Initiate gap assessment of current CIP/CDD framework vs. anticipated requirements
- Enhance regulatory monitoring and comment engagement
- Review deposit concentration and liquidity risk metrics
- Develop strategic response to fintech competition, including partnership vs. independence models
- Prepare exam-ready documentation outlining risk identification and mitigation actions