

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To amend the Federal Financial Institutions Examination Council Act of 1978 to require the Federal financial institutions regulatory agencies to update the CAMELS Rating System, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Federal Financial Institutions Examination Council Act of 1978 to require the Federal financial institutions regulatory agencies to update the CAMELS Rating System, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “CAMELS Rating Mod-
5 ernization Act of 2025”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

1 (1) CAMELS ratings (Capital adequacy, Asset
2 quality, Management, Earnings, Liquidity, and Sen-
3 sitivity to market risk) are a critical tool for evalu-
4 ating the safety and soundness of financial institu-
5 tions, and the basis for determining significant regu-
6 latory matters such as the evaluation for mergers
7 and acquisitions and a bank's deposit insurance pre-
8 miums;

9 (2) the CAMELS rating system relies heavily
10 on examiner judgment, which can lead to subjective
11 and inconsistent ratings across similar institutions;

12 (3) establishing clear, objective measures for
13 each CAMELS component and their relative
14 weighting in determining composite ratings will pro-
15 mote fairness, consistency, and accountability in su-
16 pervisory assessments; and

17 (4) examination and supervision, as well as the
18 CAMELS rating system, should focus on a financial
19 institution's core financial condition or solvency.

20 **SEC. 3. AMENDMENTS TO THE CAMELS RATING SYSTEM.**

21 The Federal Financial Institutions Examination
22 Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended
23 by adding at the end the following:

1 **“SEC. 1012. AMENDMENTS TO THE CAMELS RATING SYS-**
2 **TEM.**

3 “(a) IN GENERAL.—The Council shall make rec-
4 ommendations to amend the Uniform Financial Institu-
5 tions Rating System, and the CAMELS components there-
6 under, to—

7 “(1) establish clear, objective, and quantifiable
8 criteria for assessing each CAMELS component;

9 “(2) revise the weighting of each CAMELS
10 component to more accurately reflect the financial
11 condition and risk profile of the financial institutions
12 being rated;

13 “(3) either—

14 “(A) eliminate the management component
15 of the CAMELS rating system; or

16 “(B) revise the management component of
17 the CAMELS rating system to limit the assess-
18 ment under such component to objective meas-
19 ures of the governance and controls used to
20 manage an institution’s risk profile; and

21 “(4) ensure that composite ratings are deter-
22 mined based on a transparent methodology that is
23 limited to the objective criteria established for each
24 CAMELS component.

25 “(b) RULEMAKING.—Not later than 12 months after
26 the date of enactment of this section, the Federal financial

1 institutions regulatory agencies shall, jointly, issue rules
2 to carry out the recommendations described under sub-
3 section (a).

4 “(c) PUBLIC COMMENT PERIOD.—In issuing the
5 rules required under subsection (b), the Federal financial
6 institutions regulatory agencies shall—

7 “(1) publish a notice of proposed rulemaking
8 with respect to such rules; and

9 “(2) provide for a public comment period of not
10 less than 60 days.

11 “(d) TREATMENT OF MANAGEMENT COMPONENT.—
12 For purposes of section 2(o)(9)(A)(ii) of the Bank Hold-
13 ing Company Act of 1956 (12 U.S.C. 1841(o)(9)(A)(ii)),
14 the management component of the CAMELS rating sys-
15 tem is not a ‘rating for management’.

16 “(e) RULE OF CONSTRUCTION.—Nothing in this sec-
17 tion may be construed to limit the authority of the Federal
18 financial institutions regulatory agencies to take super-
19 visory or enforcement actions as necessary to ensure the
20 safety and soundness of financial institutions.”.