

## Public Comment on Proposed Rule: Prohibition on Use of Reputation Risk by Regulators (FDIC-2025-0007)

I submit this comment in strong support of the proposed Prohibition on Use of Reputation Risk by Regulators, jointly issued by the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC). This proposal marks a pivotal step toward restoring transparency, accountability, and constitutional balance within the federal regulatory system. The use of reputation risk as a supervisory factor, while once intended to preserve financial stability, has over time evolved into an ambiguous and discretionary concept that undermines consistent rule of law.

Historically, the notion of reputation risk has allowed regulators to influence or discourage banking relationships with certain lawful industries based on perceived social, political, or cultural sensitivities. Such discretion introduces uncertainty into the regulatory process and erodes the foundational principle that government oversight must be neutral, evidence-based, and grounded in statutory authority. Regulation must not depend on political popularity or moral preference. Instead, it should safeguard lawful activity and provide predictable, objective standards.

This rule enhances the credibility of financial oversight by ensuring that regulatory decisions are supported by objective, measurable data related to safety and soundness rather than subjective reputational interpretation. In doing so, it reaffirms the requirements of the Administrative Procedure Act and Executive Order 12866, which direct agencies to act based on factual evidence, cost-benefit justification, and statutory authority. By removing reputation risk as an independent factor, the FDIC and OCC strengthen institutional integrity, uphold due process, and encourage innovation within the financial marketplace.

To further strengthen this rule, I respectfully propose the following detailed recommendations:

1. Define supervisory boundaries clearly. The final rule should distinguish operational or legal risks that impact safety and soundness from reputation risk, which should not be used as an independent basis for enforcement.
2. Require documentation of factual evidence. All supervisory actions should include written justifications supported by quantifiable financial or legal data.
3. Establish an inter-agency consistency framework. Coordination between federal banking regulators will prevent interpretive drift and ensure uniform enforcement standards.
4. Implement procedural due process safeguards. Financial institutions should have the opportunity to review and respond to any regulatory concern prior to adverse action.

5. Conduct recurring policy audits. Every five years, the agencies should evaluate the implementation of this rule to confirm it remains effective and free from political influence.
6. Promote internal ethics and neutrality training. All supervisory personnel should complete standardized training that reinforces impartiality and respect for lawful commerce.
7. Enhance transparency for public accountability. Regulators should publish anonymized summaries of enforcement trends to reassure stakeholders that decisions are based on consistent legal standards, not social or ideological trends.
8. Introduce an independent review mechanism. A neutral oversight board could periodically assess the alignment of supervisory actions with the rule's intent, providing recommendations for continued refinement.
9. Encourage greater public engagement in future rulemakings. Expanding outreach efforts will ensure regulatory decisions reflect a diverse and representative range of perspectives across industries and communities.

The broader implications of this proposal extend beyond financial supervision. It represents a necessary recalibration of administrative power in an era where regulatory discretion increasingly intersects with public perception. This rule encourages transparency, limits arbitrary authority, and reinforces the foundational American principle that governance must operate within clearly defined legal boundaries. Its adoption would promote public trust and safeguard the legitimacy of federal agencies by reaffirming that policy decisions should emerge from law and logic rather than ideology.

I commend the FDIC and OCC for advancing this forward-thinking reform. The Prohibition on Use of Reputation Risk by Regulators will strengthen regulatory clarity, promote lawful enterprise, and reaffirm confidence in fair and impartial oversight. I strongly urge final adoption of this rule and continued agency commitment to evidence-based, objective, and principled regulation.

Respectfully submitted,

A concerned professional committed to principled governance and regulatory accountability.