



## Key Trends in Core Banking This Week

S35-2026-BNK • Reporting Period: August 24 - 30, 2026

**BankChain Alliance Builds a Bank-Owned Rail for Tokenized Deposits.** August 25 marked an important milestone for the BankChain initiative. 39 U.S. state banking associations, representing 3,283 banks and \$21.8 trillion in assets, announced the BankChain Alliance, a permissioned blockchain network intended to be industry-owned, industry-designed, and industry-governed, supporting tokenized deposits, bank-issued stablecoins, smart payments, and automated settlement. Kathy Kraninger, former CFPB director and now president of the Florida Bankers Association, chairs the alliance on an interim basis; a technology partner has not yet been selected, with an operational launch targeted for 2027.

This is the defensive counterpart to the thread FARO has followed since S32. Where S34 covered a stablecoin issuer moving inside the federal banking perimeter through an OCC trust charter, BankChain is the banking industry building its own on-chain infrastructure so deposits do not migrate outward in the first place. Both developments point to the same underlying contest over whether tokenized money settles on bank-controlled rails or on infrastructure banks do not own, approached from opposite sides of the balance sheet.

**California Challenges the Federal Rewrite of Bank Ratings.** On August 26, the California Department of Financial Protection and Innovation filed a comment letter opposing the FFIEC's proposed overhaul of the CAMELS rating system, the first comprehensive revision since 1996, intended to sharpen the focus on material financial risk and reduce the weight given to process-oriented findings. The letter adds California to a broader pattern of state pushback against federal deregulatory moves in bank supervision.

The dispute is not really about rating methodology; it is about who gets to define supervisory materiality. If federal examiners narrow what counts as an actionable finding, state regulators, who often examine the same institutions under dual charters, may end up applying a stricter standard than their federal counterparts, producing two effective supervisory regimes for the same bank. That tension sits inside the broader modernization agenda the Fed's vice chair for supervision has been advancing internationally through the FSB this year.

**The EU Redraws Who Counts as a Bank from the Other Direction.** On August 25, the EBA opened a consultation on three draft technical standards governing when large investment firms must be reclassified as credit institutions once they exceed €30 billion in total assets, covering how that threshold is calculated, how firms must report against it, and the conditions under which national supervisors may grant a waiver. The consultation runs until November 25.

Where BankChain shows non-banks building bank-grade infrastructure and California is contesting how banks get examined, this is the EU tightening the definition of what activity requires a banking license in the first place. Three developments this week redefine the perimeter of what counts as a bank from three different directions, infrastructure, examination standards, and licensing thresholds, without any single regulator controlling the whole boundary.

***"The boundary of what counts as a bank is being redefined this week from three different directions at once."***

## MY TAKE

*This week's three developments do not share a single event, but they share a structural question: what defines a bank when tokenized settlement, ratings methodology, and asset thresholds are all being renegotiated simultaneously by different actors, an industry consortium, a state regulator, and a European supervisor? No single institution controls that definition anymore. For banks operating across these lines, the practical task is tracking how the perimeter moves on each front, since a change on any one of them can shift where an institution sits relative to its competitors and its regulators.*

## TECH TERM OF THE WEEK: "Regulatory Perimeter Drift"

*The gradual, often uncoordinated movement of the boundary separating regulated banking activity from adjacent non-bank activity, driven by technology such as tokenized deposits and stablecoins, by methodology changes such as rating-system reforms, or by threshold recalibrations such as asset-based licensing tests. Because perimeter changes typically originate from different regulators or market actors acting independently, an institution's competitive and compliance position can shift materially even when no rule directly governing that institution has changed.*



## Key Trends in Insurance This Week

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**Central Bank of Ireland Gains Broader Power to Wind Up Insurers.** On August 26, Part 3 of Ireland's 2026 Act came into force, expanding the Central Bank of Ireland's power to petition the High Court for the winding-up of an insurer. Previously, the Central Bank could seek a winding-up order only where an insurer was unable to pay its debts; the amended regime broadens the grounds for intervention, though a winding-up order still requires High Court authorization.

The change matters less for any single insurer than for what it signals about the direction of prudential reform in a small but systemically material EU insurance market: resolution authorities are being given room to act on solvency deterioration before it becomes payment failure, rather than waiting for the harder trigger. Irish-regulated insurers and reinsurers, many of which write cross-border European business from Dublin, should treat the broadened trigger as a lower bar for supervisory intervention, not merely a technical drafting update.

**New York Rewrites the Rules for Surprise Medical Bill Disputes.** An emergency regulation from the New York Department of Financial Services took effect on August 26, implementing statutory changes to the state's Independent Dispute Resolution process for out-of-network health claims. The amendments exclude Medicaid managed care disputes filed on or after May 28, define "same geographical area" for benchmarking purposes by provider geozip, and adjust timelines and payment mechanics for IDR entities.

IDR reform is a narrow technical fix, but it lands on the mechanism insurers rely on to contain one of the more litigated cost categories in U.S. health coverage, out-of-network billing disputes. Narrower geographic benchmarking and the Medicaid carve-out both push toward more predictable, lower payouts in disputed cases, a modest but real data point for claims-cost planning at health insurers operating in New York. Although highly jurisdiction-specific, the reform illustrates a broader supervisory trend toward refining payment governance through procedural rules rather than substantive coverage mandates.

**Global Reinsurance Capital Continues to Grow as Market Power Shifts toward Buyers.** During the week, industry reports from AM Best, Aon, and Fitch pointed to the same underlying development: insurance-linked securities (ILS) capacity has reached record levels, alternative capital is increasingly viewed as a foundational source of reinsurance capacity, and abundant supply continues to soften pricing ahead of the 2027 renewals. Strong first-half underwriting results have been supported by unusually low catastrophe activity rather than by improving pricing fundamentals, prompting analysts to warn that underlying market conditions are becoming more competitive.

The significance extends beyond pricing. As traditional reinsurance capital and alternative capital become increasingly interchangeable, supervisory attention is likely to shift from the source of capital toward its resilience under stress. The main point under review is not whether capacity exists, but whether different forms of capital behave differently once major catastrophe losses begin to emerge.

**"Solvency-based intervention and dispute-resolution mechanics rarely make headlines, but both determine how much discretion a regulator has before a policyholder ever notices."**

## MY TAKE

*Neither development this week touches AI or infrastructure, a deliberate departure from the arc FARO has followed since S33 and worth noting on its own terms. Ireland is lowering the threshold for supervisory intervention; New York is refining the procedural mechanics that determine payment outcomes; and global reinsurance markets are demonstrating how capital itself is becoming more fluid and interchangeable. Together, these developments illustrate a broader regulatory reality: prudential frameworks are increasingly defined by intervention thresholds, procedural design, and capital architecture rather than by headline reforms.*

## TECH TERM OF THE WEEK: "Resolution Trigger"

*The specific legal or financial condition that authorizes a regulator to initiate formal intervention, restructuring, or winding-up proceedings against a financial institution, as distinct from the substantive standards used to assess ongoing solvency or conduct. Because resolution powers are exercised only once a trigger is met, the definition of the trigger itself, rather than the underlying prudential rules, determines how early or how late intervention can occur.*