

September 11, 2026

The Honorable Michelle Bowman
Vice Chair for Supervision
Federal Reserve Board
20th Street and Constitution Ave NW
Washington, D.C. 20551

The Honorable Jonathan Gould
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW
Washington, D.C. 20219

The Honorable Travis Hill
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Dear Vice Chair Bowman, Comptroller Gould, and Chairman Hill:

I write to request information regarding the impact of bank examiner workforce cuts on the ability of the Federal Reserve Board (Fed), the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) to oversee banks' technology-focused third-party service providers. Under the *Bank Service Company Act*, federal banking regulators may examine third-party service providers, such as cloud service providers or AI vendors, for compliance with applicable banking laws and regulations and to ensure they are operating in a safe and sound manner.¹ I seek to better understand whether Americans' sensitive financial data and the operational resilience of the banking system may be at risk due to the reductions in the bank examiner workforce.

Banks rely heavily on third-party vendors for functions such as payment processing,² identity verification,³ AI fraud detection⁴, risk management,⁵ and software interface creation,⁶ and that reliance continues to grow. Financial institutions also increasingly depend on AI tools from third-party vendors, cloud-based services, and cloud-based architectures. One 2026 survey found that, along with rapid adoption of AI tools from vendors, "only 9% of financial organizations have fully identified and documented which of their vendors use AI."⁷ Additionally, a 2026 report found that "98.3% [of financial

¹ American Bankers Association, "Bank Service Company Act," <https://www.aba.com/banking-topics/compliance/acts/bank-service-company-act>.

² Wise, "Third-Party Payment Providers: Guide for U.S. Businesses," Mike Renaldi, September 23, 2025, <https://wise.com/us/blog/third-party-payment-providers>.

³ Plaid, "More customers, minus the fraudsters," <https://plaid.com/products/identity-verification/>.

⁴ American Banker, "Banks are outsourcing their AI strategies to their vendors," Rebecca McKenzie, September 1, 2026, <https://www.americanbanker.com/opinion/banks-are-outsourcing-their-ai-strategies-to-their-vendors>.

⁵ Aravo, "Third-Party Risk Management: Financial Services Risk Assessment," <https://aravo.com/intelligence-first-platform/products/third-party-risk-management-for-financial-services/>.

⁶ SDK.finance, "End-to-End White-Label Digital Banking Software," <https://sdk.finance/solutions/digital-retail-bank/>.

⁷ Ncontracts, "Using AI in Financial Services: Best Practices and Red Flags," Monica Bolin, May 14, 2026, <https://www.ncontracts.com/nsight-blog/ai-in-financial-services>.

institutions] reported using some form of cloud services, with a third (33%) reporting that they rely primarily or fully on cloud-based architectures.”⁸

As bank reliance on third-party service providers has increased, so too have the risks. When third parties experience breaches or disruptions, it can have a serious impact on banks and their customers. For example, more than 660,000⁹ banking customers had their personal data exposed due to an attack on the vendor SitusAMC¹⁰ and customers of about 60 credit unions were unable to access their accounts due to an attack on the vendor Ongoing Operations.¹¹ In 2024, an outage of cybersecurity vendor CrowdStrike resulted in downtime for thousands of JPMorgan ATMs and halted transaction processing for clients at Bank of America.¹² Additionally, financial institutions were the most breached sector in 2024 and 2025, and third-party service providers were responsible for 30% of data breaches across all industries that same year.¹³

Government and external stakeholders alike have acknowledged the risks to the financial system posed by banks’ increased reliance on third-party service providers. A 2023 report from the Treasury Department, for example, identified lack of transparency, operational incident exposure, and market concentration risks as key challenges for financial institutions as cloud adoption grows.¹⁴ Analysis from the Fed found that “many critical services that are provided by cloud service providers and cybersecurity firms...are shared across nearly all major financial institutions, creating concentrated systemic risk.”¹⁵ A working paper from the Federal Reserve Bank of Boston found that technology-focused third-party service providers are covered by “limited comprehensive prudential regulatory oversight” with regulators having “limited direct visibility” into associated risks and activities.¹⁶ Regulatory agencies are reportedly

⁸ Cloud Security Alliance, “Financial Services Industry Shifts from AI Adoption to Governance as Autonomous Systems Proliferate, Cloud Security Alliance Survey Finds,” press release, June 9, 2026, <https://cloudsecurityalliance.org/press-releases/2026/06/09/financial-services-industry-shifts-from-ai-adoption-to-governance-as-autonomous-systems-proliferate-cloud-security-alliance-survey-finds>.

⁹ Law360, “SitusAMC’s \$5.3M Data Breach Deal Draws Judicial Scrutiny,” Allison Grande, <https://www.law360.com/articles/2493576/situsamc-s-5-3m-data-breach-deal-draws-judicial-scrutiny>.

¹⁰ Cybersecurity Dive, “Hackers steal sensitive data from major banking industry vendor,” Eric Geller, November 24, 2025, <https://www.cybersecuritydive.com/news/bank-vendor-cyberattack-supply-chain/806293/>.

¹¹ Cybersecurity Dive, “Dozens of credit unions confront outages linked to third-party ransomware attack,” Matt Kapko, December 4, 2023, <https://www.cybersecuritydive.com/news/credit-unions-outages-ransomware/701442/>.

¹² Bloomberg, “Thousands of JPMorgan Chase ATMs Down in Global IT Outage,” Hannah Levitt, July 19, 2024, <https://www.bloomberg.com/news/articles/2024-07-19/thousands-of-jpmorgan-chase-atms-down-in-global-it-outage>; The Wall Street Journal, “Banks Grapple With Technical Difficulties Following CrowdStrike Outage,” Alexander Saeedy, July 19, 2024, <https://www.wsj.com/livecoverage/stock-market-today-dow-sp500-nasdaq-live-07-19-2024/card/banks-grapple-with-technical-difficulties-following-crowdstrike-outage-ZQAY4mQ7okOmCkam0CIY>.

¹³ American Banker, “Banks remain most breached sector as attacks hit record,” Carter Pape, January 29, 2026, <https://www.americanbanker.com/news/itrc-2025-data-breach-report>. Entrust, “Securing Financial Institution Supply Chains: Identifying and Fixing Weak Links,” Andy Cease and Jenn Markey, February 24, 2026, <https://www.entrust.com/blog/2026/02/securing-financial-institution-supply-chains-identifying-and-fixing-weak-links>.

¹⁴ U.S. Department of Treasury, “The Financial Services Sector’s Adoption of Cloud Services,” 2023, <https://home.treasury.gov/system/files/136/Treasury-Cloud-Report.pdf>.

¹⁵ Finance and Economics Discussion Series 2025-103, Board of Governors of the Federal Reserve System, “Cyber Vulnerabilities at Large US Financial Institutions and Their Third-Party Service Providers,” Jin-Wook Chang, Jacob Dice, Shengwu Du et al., November 25, 2025, <https://doi.org/10.17016/FEDS.2025.103>.

¹⁶ Federal Reserve Bank of Boston, “Technology Providers and Financial Stability: Overview of Risks and Regulatory Frameworks,” Gene Amromin, Rebecca Chmielewski, Patty Cowperthwait, et al., June 23, 2025, <https://www.bostonfed.org/publications/risk-and-policy-analysis/2025/tech-providers-risks-regulatory-frameworks.aspx>.

monitoring banks' accelerating adoption of AI services, often through the use of a third-party vendor, and according to one source "[conversation] around the use of AI is part of every bank examination."¹⁷ Banks themselves have acknowledged that existing oversight is not sufficient to address the risks: one survey found that most banks partner with hundreds of third-party service providers, have one individual managing hundreds of external vendors, and do not believe current oversight over these partnerships is sufficient.¹⁸

As banks increasingly outsource core technology functions, robust examinations are essential to identifying risks embedded in vendor systems. But instead of strengthening oversight over third-party service providers, regulators are gutting their own supervisory capacity by cutting staff. Following a 9% reduction in examiner headcount, a March 2025 report by the FDIC Office of Inspector General (OIG) stated "with fewer examiners but the same responsibility to conduct statutorily required exams in 2025, it may be difficult for the FDIC to complete these examinations by the end of the year."¹⁹ The same report highlighted the risk of the departure of examiners with "advanced IT skillsets who examine risks at the most complex banks," and as a result of attrition, "examiners with appropriate skillsets to effectively assess banks' and third-party operational risks," may also be lacking.²⁰ Leaving IT risks at banks and third-party vendors unaddressed could result in outages, data breaches, and inability to access funds, but in contrast with the FDIC OIG's assessment, the FDIC claims that their staff reductions writ large allow them to "focus on mission critical initiatives."²¹ Similarly, a recently released OCC report shows a 12% drop in bank examiners from September 2024 to September 2025.²² The Fed announced a 30 percent reduction in staff within the Division of Supervision and Regulation in 2025.²³ Staff cuts to bank examiner positions across federal regulatory agencies raises concerns about regulators' capacity to detect and address emerging risks before they fester into larger problems that threaten consumer privacy, operational resilience, and the safety and soundness of the banking system.

¹⁷ Reuters, "U.S. bank regulators ramp up scrutiny of AI use at financial companies," Nupur Anand, June 12, 2026, <https://www.reuters.com/business/finance/us-bank-regulators-ramp-up-scrutiny-ai-use-financial-companies-2026-06-12/>.

¹⁸ ABA Banking Journal, "Report: Third-party risk management teams remain small while vendor use grows," March 16, 2026, <https://bankingjournal.aba.com/2026/03/report-third-party-risk-management-teams-remain-small-while-vendor-use-grows/>.

¹⁹ Federal Deposit Insurance Corporation, Office of Inspector General, "Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation," March 2025, https://www.fdicigov.gov/sites/default/files/reports/2025-03/TMPC%20Final%20March%202025.pdf?source=govdelivery&utm_medium=email&utm_source=govdelivery.

²⁰ Federal Deposit Insurance Corporation, Office of Inspector General, "Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation," March 2025, https://www.fdicigov.gov/sites/default/files/reports/2025-03/TMPC%20Final%20March%202025.pdf?source=govdelivery&utm_medium=email&utm_source=govdelivery; Banking Dive, "FDIC OIG report underscores attrition, brain drain concerns at regulator," Caitlin Mullin, March 21, 2025, <https://www.bankingdive.com/news/fdic-attrition-brain-drain-bank-failures-exams-oig-report/743220/>.

²¹ Response of The Honorable Travis Hill, Chairman, Federal Deposit Insurance Corporation, to Questions For the Record from Ranking Member Elizabeth Warren, U.S. Senate Committee on Banking, Housing, and Urban Affairs, following "Update from the Prudential Regulators: Rightsizing Regulation to Promote American Opportunity" hearing, February 26, 2026, https://www.banking.senate.gov/imo/media/doc/hill_resptowarrenqfrs22626.pdf.

²² Office of the Comptroller of the Currency, "Cybersecurity and Financial System Resilience Report," June 2026, <https://www.occ.gov/publications-and-resources/publications/cybersecurity-and-financial-system-resilience/files/2026-cybersecurity-report.html>; Office of the Comptroller of the Currency, "Cybersecurity and Financial System Resilience Report," July 2025, <https://www.occ.gov/publications-and-resources/publications/cybersecurity-and-financial-system-resilience/files/2025-cybersecurity-report.html>.

²³ Letter from Ranking Member Elizabeth Warren and Senators Ruben Gallego, Chris Van Hollen, Jack Reed, Andy Kim, and Angela Alsobrooks to Vice Chair Bowman, February 18, 2026, https://www.banking.senate.gov/imo/media/doc/letter_to_bowman_re_bank_examiner_removals.pdf.

I have repeatedly expressed concern about your efforts to reduce workforce capacity at the Fed, FDIC, and OCC and how those reductions might impact the safety and soundness of our financial system.²⁴ I now seek specific details on the impact of these cuts on the agencies' ability to oversee banks' third party service providers. I therefore request answers to the following questions by September 25, 2026:

- 1) Please provide the following data on your agency's bank examiner workforce:
 - a) As of January 20, 2025, how many bank examiners at your agency were available to conduct IT examinations of banks and third-party service providers?
 - b) As of August 31, 2026, how many bank examiners at your agency were available to conduct IT examinations of banks and third-party service providers?
- 2) Please provide a detailed description of each IT-related examiner position eliminated, the responsibilities associated with the position, and how those responsibilities are being redistributed.
- 3) Please provide the following data on bank reliance on third-party service providers:
 - a) As of January 20, 2025, how many third-party service providers did banks supervised by your agency rely on?
 - b) As of August 31, 2026, how many third-party service providers did banks supervised by your agency rely on?
- 4) Please provide details on the number of third-party service providers examined during the follow time periods:
 - a) How many third-party service providers were examined between January 1, 2024 and December 31, 2024?
 - b) How many third-party service providers were examined between January 20, 2025 and December 31, 2025 ?
 - c) How many third-party service providers were examined between January 1, 2026 and August 31, 2026?
 - d) Please provide a horizontal summary of the key findings of these examinations for each time period.
- 5) Please provide details on the time spent conducting third-party service provider exams during the following time periods:
 - a) How many hours (total across all exams and average per exam) were spent on third-party service provider exams from January 1, 2024 to December 31, 2024?

²⁴ Letter from Ranking Member Elizabeth Warren to Chair Powell, November 6, 2025, https://www.banking.senate.gov/imo/media/doc/letter_to_powell_re_fed_supervision_regulation_job_cuts.pdf; Letter from Ranking Member Elizabeth Warren and Senators Raphael Warnock, Chris Van Hollen, and Lisa Blunt Rochester to Inspector General Fain, February 10, 2025, https://www.banking.senate.gov/imo/media/doc/fdic_bank_examiner_letter.pdf; Letter from Ranking Member Elizabeth Warren to Acting Chairman Hill, November 18, 2025, <https://www.banking.senate.gov/imo/media/doc/20251118lettertohillreindependenttransformationmonitorreports.pdf>; Letter from Ranking Member Elizabeth Warren and Senators Ruben Gallego, Chris Van Hollen, Jack Reed, Andy Kim, and Angela Alsobrooks to Vice Chair Bowman, February 18, 2026, https://www.banking.senate.gov/imo/media/doc/letter_to_bowman_re_bank_examiner_removals.pdf; Letter from Ranking Member Elizabeth Warren and Senators Jack Reed, Chris Van Hollen, Richard Blumenthal, and Sheldon Whitehouse to Comptroller Gould and Chairman Hill, February 5, 2026, https://www.banking.senate.gov/imo/media/doc/letter_to_fdic_occ_re_unsafe_and_unsound_practices.pdf.

- b) How many hours (total across all exams and average per exam) were spent on third-party service provider exams from January 20, 2025 to December 31, 2025?
 - c) How many hours (total across all exams and average per exam) were spent on third-party service provider exams from January 1, 2026 to August 31, 2026?
- 6) Given recent reporting of bank regulators' focus on AI use in financial companies,²⁵ do you believe that your agency's bank examiner workforce is sufficient to adequately examine third-party vendors under the *Bank Service Company Act*, including AI-vendors and cloud service providers? If so, please explain why you believe current examinations are sufficient.
- 7) Given the growing use of third-party service providers and increasing reports of breaches attributed to these service providers, what is the reasoning behind reducing supervision and examination staff at regulatory agencies?
- 8) Do you believe your agency has sufficient authority under the *Bank Service Company Act* to hold third-party service providers accountable for unsafe and unsound practices or other law violations?

Sincerely,



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs

²⁵ Reuters, "U.S. bank regulators ramp up scrutiny of AI use at financial companies," Nupur Anand, June 12, 2026, <https://www.reuters.com/business/finance/us-bank-regulators-ramp-up-scrutiny-ai-use-financial-companies-2026-06-12/>.