

# US bank M&As

## Model risk management and regulatory strategy

### A template for successful executions

#### Executive summary

United States (US) banks announced 124 merger and acquisition (M&A) deals in 2025. Several of these were among the largest bank acquisitions on record, reflecting renewed industry confidence.

A notable enabler in the regulatory backdrop has been a shift toward restoring procedural predictability in the M&A process.

In May 2025, the Office of the Comptroller of the Currency (OCC) issued an interim final rule rescinding the 2024 final rule (Business Combinations Under the Bank Merger Act) related to its regulations for business combinations involving national banks and federal savings associations, and an accompanying policy statement. This was done to reduce administrative burden and uncertainty in the Bank Merger Act application process by introducing streamlined and expedited procedures.

Parallely, the Federal Deposit Insurance Corporation (FDIC) moved in 2025 to rescind its 2024 merger policy statement and reinstate the pre-2024 policy. The FDIC explained that the 2024 policy had added “considerable uncertainty” to the merger application process. These changes do not reduce supervisory expectations but improve clarity around the process.

As part of its merger review process, the FDIC evaluates the effectiveness of an acquirer’s risk management frameworks including FCC mandates.

Gauging the strength of the target bank’s internal controls, policies, and historical records is essential to avoid inheriting hidden risks and guard against risk concentration before any banking merger (the Dodd-Frank Act).

Post-close, banks typically face the challenges of duplicated model stacks, inconsistent assumptions and methodologies, gaps in validation standards, and data integration issues that complicate governance and controls. Successful post-merger model risk management (MRM) integration rests on four key pillars: 1) risk governance and Board oversight, 2) operating discipline in MRM, 3) robust data lineage and controls, and 4) run-the-bank continuity.

This paper highlights key trends in recent US M&A activity, reviews the evolving regulatory landscape, identifies key MRM challenges emerging in bank mergers, and provides practical recommendations with a clear roadmap for model risk harmonization.

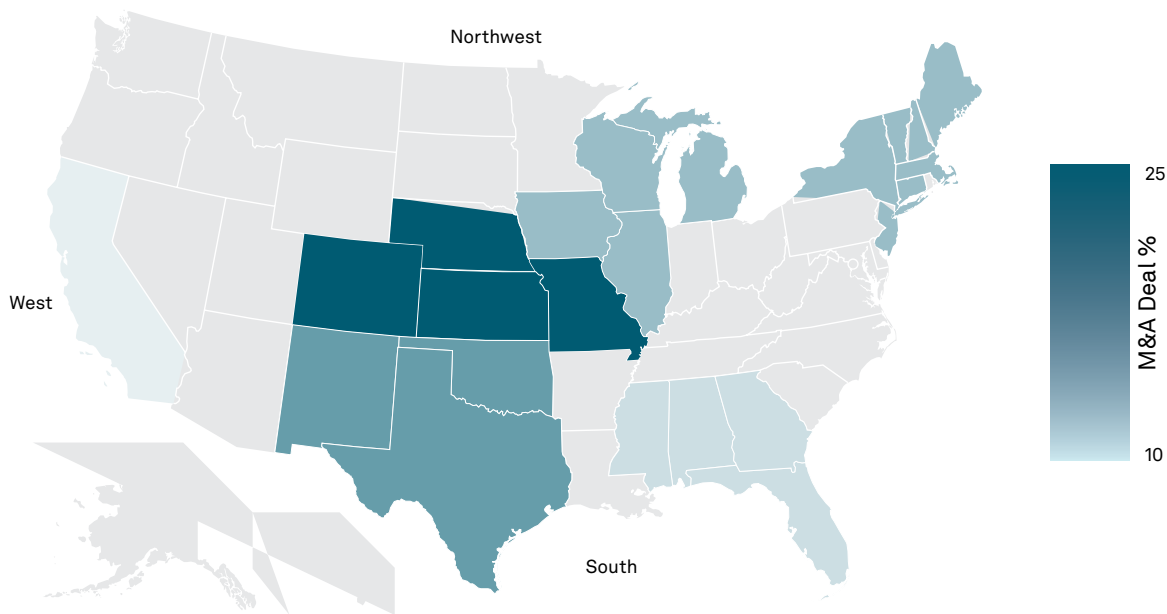
#### US bank M&As have seen a significant shift over the past five years

Period	Phase	Events
2021-2022	Consolidation	<ul style="list-style-type: none"> <li>Post-pandemic, M&amp;As accelerated as banks sought scale and diversification</li> <li>Mergers of credit unions increased</li> </ul>
2023-2024	Setback	<ul style="list-style-type: none"> <li>Expedited review processes for certain bank combinations eliminated</li> <li>Bank failures</li> <li>Regulatory scrutiny increased</li> <li>Compression of valuation multiples because of reassessment of risk premiums</li> </ul>
2025	Recovery	<ul style="list-style-type: none"> <li>Updated interim rules and quick regulatory turnaround (~90 days)</li> <li>Reduced regulatory burden and uncertainty, promoting competition</li> <li>Focus on achieving operational efficiency, geographic expansion</li> <li>Traditional banks acquiring fintech companies to enhance digital capabilities</li> </ul>
2026	Adaptation	<ul style="list-style-type: none"> <li>Strategic positioning and diversification</li> <li>Scale high-return fees in payment and wealth management</li> </ul>

Banks have been pursuing M&As for different but complementary reasons—some to address structural limitations and reposition for the future, others to spur scale and long-term growth. Within the US, banks are primarily focused on strategic expansion in high-growth regions, such as Texas (Houston and Dallas), California (San Francisco), Georgia, and Mississippi.

# US Banking M&A Activity Heatmap (Supervisory Region Based)

Metric: Percentage Total | Legend range: 10-25



Source: FDIC

**Robust AML/CFT controls, adequate capitalization, and a strong modeling framework and infrastructure remain vital for holistic post-merger governance and compliance**

## Regulatory and compliance considerations

Multiple authorities, including the US Federal Reserve (Fed), OCC, FDIC, and antitrust regulators, supervise bank M&As. In the pre-merger phase, banks must prioritize combating money laundering, countering the financing of terrorism, meeting regulatory capital requirements, and ensuring

institutional stability. Post-merger, the focus shifts to maintaining adequate capitalization, establishing a strong risk management and governance framework, and implementing robust systems for capital calculation and reporting

Supervisor	Regulatory citation	Regulatory expectation	Key impact
FDIC	Bank Merger Act (BMA) (Section 18(c) FDI Act)	Pre-merger requirements include effective anti-money laundering and corrective measures	Significant adverse findings may lead to the rejection of M&A application
FDIC	Interagency Bank Merger Act Application	7.d. Pro forma and Projected Regulatory Capital Schedule indicating CET1, AT1, T2, RWA as per applicable regulatory requirements	Trickle-down impact from internal model shortcomings, vulnerability to operational risk
Fed	Section 3(c) of the Bank Holding Company Act (Ref. Dodd-Frank Act)	Pre-merger requirement to consider the impact of concentrated risks due to M&A decision on the stability of financial institutions	Macro-prudential constraint. From a micro-prudential perspective, inadequacies in modeling aggregate risk concentrations or validation shortcomings in capital reporting models can impact imposed capital requirements
Fed	SR 11-7	Ongoing model validation, model performance testing, outcome analysis	Consistent modeling and validation, data integration, policy alignment, and strong model governance
OCC	12 CFR 3.10(a)(1)/ 12 CFR 3.12(c)(5)	Ongoing compliance with minimum capital requirements	Failing to meet minimum capital requirements may trigger regulatory intervention. Potential to be subjected to Prompt Corrective Action frameworks
OCC	12 CFR 3.124(a), (b)	Uniform application of advanced systems for risk-based capital calculation	Challenges related to model validation within the stipulated time, data quality issues, system integration challenges
OCC	12 CFR 5.33(e)(1)(ii)(D)	Effectiveness in combating money laundering	Downstream impact on compliance/AML programs for the integrated entity

# Post-merger MRM challenges and recommendations

Post-merger model risk is fundamentally an integration challenge to harmonize model ecosystems, governance frameworks, data management frameworks, and risk cultures

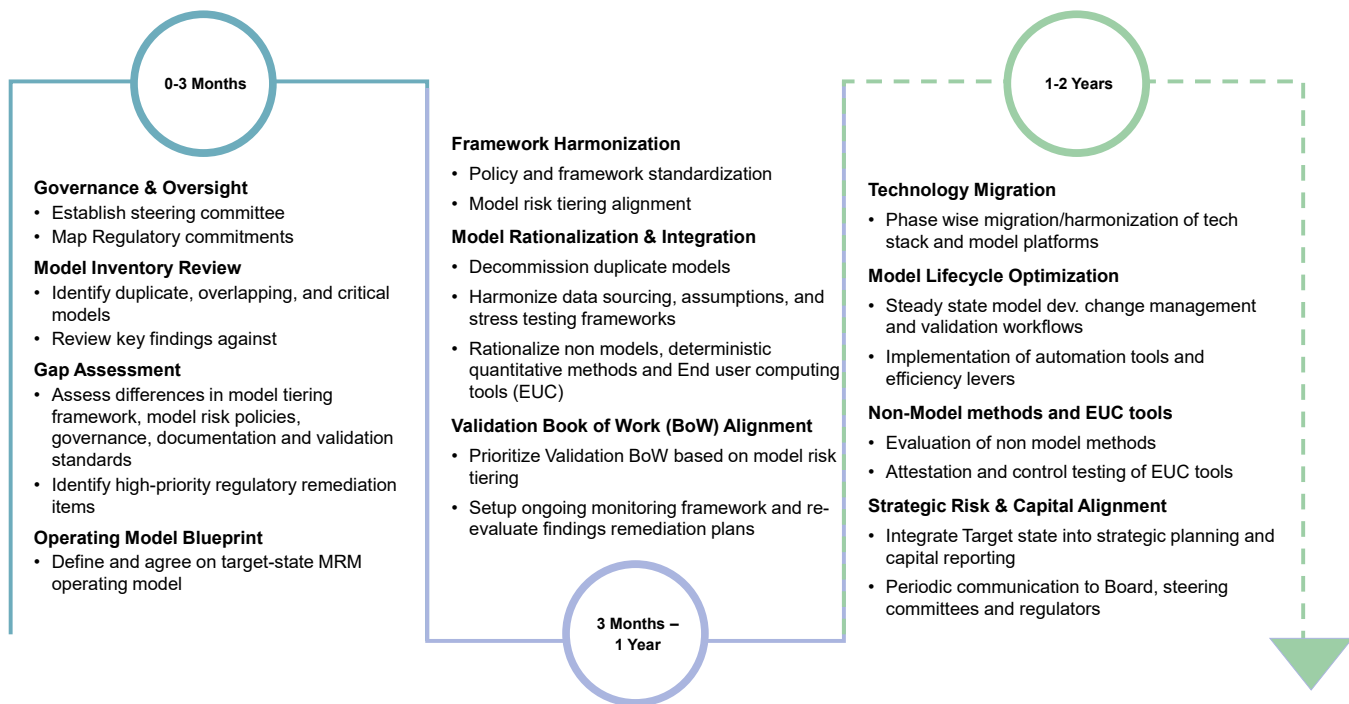
Post-merger model risk is structurally different from business-as-usual (BAU) model risk—institutions are not just validating models, they are integrating two model ecosystems, governance philosophies and often two risk cultures.

The table below summarizes the key model risk challenges frequently encountered by merged entities and our recommendations to address those challenges.

Challenge	Description	Recommendation
 <b>Governance and framework misalignment</b>	<ul style="list-style-type: none"> <li>Differing model risk framework and policies</li> <li>Inconsistent model tiering methodologies</li> <li>Different materiality thresholds</li> </ul>	<ul style="list-style-type: none"> <li>Harmonize policies and procedures</li> <li>Re-tier all models using a consistent framework</li> <li>Recalibrate thresholds</li> </ul>
 <b>Model inventory sprawl</b>	<ul style="list-style-type: none"> <li>Increase in the number of models for the combined entity</li> <li>Potentially overlapping models for the same business purpose</li> <li>Inconsistent inventory fields</li> </ul>	<ul style="list-style-type: none"> <li>Rationalize model population</li> <li>Apply clear model vs non-model distinction</li> <li>Streamline model inventory entries</li> </ul>
 <b>Methodology conflicts</b>	<ul style="list-style-type: none"> <li>Different model inputs/risk factors</li> <li>Different modeling methodologies</li> <li>Different model output/reporting frameworks</li> </ul>	<ul style="list-style-type: none"> <li>Rationalize and prune model population</li> <li>Establish consistent model inputs, methodologies, and reporting frameworks</li> </ul>
 <b>Data architecture fragmentation</b>	<ul style="list-style-type: none"> <li>Different data taxonomy</li> <li>Inconsistent data definitions</li> <li>Heterogenous data sources</li> <li>Different data governance and quality frameworks</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated data repositories, governance frameworks, and validation rules, along with data policies, controls, ownership, and entitlements</li> <li>Stay BCBS 239-compliant, where appropriate</li> </ul>
 <b>Validation bottlenecks</b>	<ul style="list-style-type: none"> <li>Surge in model validation queue due to inherited models</li> <li>Stale validations/findings</li> <li>Resourcing/expertise constraints</li> </ul>	<ul style="list-style-type: none"> <li>Leverage validation accelerators/automation tools</li> <li>Leverage third-party expertise to handle validation surge</li> </ul>
 <b>Cultural and control conflicts</b>	<ul style="list-style-type: none"> <li>Differing definitions of “good enough”/fit-for-purpose</li> <li>Different documentation standards, challenge intensity</li> <li>Different risk cultures</li> </ul>	<ul style="list-style-type: none"> <li>Seek management support in setting the tone from the top</li> <li>Not all models are equal. Develop a consistent, risk-based validation intensity framework</li> </ul>
 <b>Heterogeneous technology systems</b>	<ul style="list-style-type: none"> <li>Differing technology platforms/architecture</li> <li>Different model development/deployment frameworks and reporting dashboards</li> </ul>	<ul style="list-style-type: none"> <li>Invest in tech rationalization and integration capabilities</li> <li>Align model development/deployment frameworks</li> <li>Streamline model output and reporting dashboards</li> </ul>
 <b>Vendor/third-party system risk management</b>	<ul style="list-style-type: none"> <li>Potentially duplicate vendor models</li> <li>Vendor oversight harmonization</li> </ul>	<ul style="list-style-type: none"> <li>Rationalize vendor systems, contractual arrangements, and oversight framework</li> </ul>
 <b>Regulatory and supervisory expectations</b>	<ul style="list-style-type: none"> <li>Supervisory expectations related to model risk remain unchanged for the combined entity post-merger</li> <li>Need for robust risk controls</li> </ul>	<ul style="list-style-type: none"> <li>Establish a clear model roadmap</li> <li>Define model rationalization timelines</li> <li>Establish a defensible validation book of work, and ongoing monitoring priorities</li> <li>Report on self-identified model weaknesses/limitations and create a remediation plan/compensating controls</li> </ul>
 <b>Capital and stress testing load factors</b>	<ul style="list-style-type: none"> <li>Economic and regulatory capital impact on the combined entity</li> <li>High-priority reporting requirement for the combined entity (within Q1 of the merger)</li> <li>Portfolio mix challenges</li> <li>Stress scenario realignment</li> </ul>	<ul style="list-style-type: none"> <li>Invest in capabilities to address regulatory capital calculation and reporting requirements</li> <li>In the absence of harmonized advanced systems/internal models for capital calculations, leverage provisions for using supervisory formulae for risk weights and capital requirements</li> <li>Submit a clear plan of action to regulators within 90 days of completing the merger/acquisition</li> </ul>

Key elements of a successful post-merger MRM implementation program include rationalizing and re-tiering the combined model inventory, aligning methodologies and validation standards, managing capacity, strengthening vendor oversight, and implementing robust governance and controls.

# Post-merger MRM implementation: Charting the roadmap



## How we can help

Crisil Integral IQ has deep expertise across the entire model risk lifecycle. We offer end-to-model post-merger MRM support, differentiated by our global quant talent pool, deep domain and regulatory expertise, in-house accelerators, and flexible engagement models. Our expertise enables us to perform integration-focused gap assessments, model inventory rationalization, revalidation of impacted models, data and methodology alignment reviews, and capital

sensitivity analyses. Our validation accelerators have increased validation throughput by more than 200%. Our approach stabilizes risk measurement and reporting during transitions, clears validation backlogs, strengthens change control and documentation, and delivers a regulator-ready integration roadmap that reduces capital volatility, meets model risk program objectives, and lowers supervisory risk.

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