

STRUCTURAL INTELLIGENCE BRIEF

Financial Services

NAICS 52 — CISA Critical Infrastructure Sector



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Four Frequencies Framework

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Executive Summary

Financial services is structurally configured to concentrate the risks it is designed to distribute. The sector has simultaneously reduced the number of independent institutions from over 18,000 to approximately 4,400 in four decades, concentrated governance authority in ways that suppress internal risk signals, allowed risk measurement systems to diverge from actual risk positions, and elevated executive departure rates that carry institutional risk knowledge out of organizations at precisely the moments that knowledge matters most. These four conditions interact: consolidation increases the systemic consequence of any single failure, governance concentration weakens the internal mechanisms that would detect accumulating risk, management information systems report compliance rather than structural reality, and experienced risk professionals depart before crises surface.

Silicon Valley Bank demonstrated this interaction with forensic clarity. The bank held \$209 billion in assets when it collapsed—just below the \$250 billion threshold that would have required enhanced supervision. Its risk management systems had flagged \$15.9 billion in unrealized losses on held-to-maturity securities, but the information did not reach the decision architecture with sufficient force to change the position before it became terminal. The structural conditions that produced SVB remain measurable across the sector today.

Two of the four frequencies score VULNERABLE. The remaining two score STRAINED. No frequency in U.S. financial services scores STABLE.



Sector Structural Profile

The Financial Services sector encompasses commercial banking, investment banking, insurance, securities and commodity trading, asset management, and the regulatory infrastructure that governs them. The Department of the Treasury serves as the Sector Risk Management Agency under CISA's critical infrastructure framework because disruption to financial services propagates immediately across every other sector of the economy. A localized failure in banking transmits to credit markets, which transmits to supply chains, which transmits to employment. The interconnections are not metaphorical. They are structural.

Consolidation as Structural Condition

The structural story of American financial services over the past four decades is consolidation at a scale that would trigger regulatory intervention in most industries. The number of FDIC-insured institutions has declined from approximately 18,000 in the mid-1980s to 4,379 as of Q3 2025. That is a 76% reduction in

independent banking institutions. The consolidation is not merely a count reduction. It is a concentration of assets and systemic consequence. The four largest U.S. banks—JPMorgan Chase, Bank of America, Wells Fargo, and Citigroup—held a combined \$11.5 trillion in assets at year-end 2024, representing over 40% of total U.S. commercial banking assets. In 1994, the largest banks held 16% of total assets. By 2020, that share had reached 69%.

The structural implication is direct: when four institutions hold 40% of the sector's assets and the pipeline for new institutions has effectively closed, the system trades resilience against correlated failure for resilience against individual institutional failure. New bank charters have become rare. From 2010 to 2025, the total number of new charters issued is 86—an average of fewer than six per year. From 1995 to 2007, the lowest annual count was 93. The sector is not merely consolidating. It has lost the capacity to regenerate structural diversity. Each merger reduces the number of independent risk-assessment frameworks, independent governance structures, and independent balance sheets that would normally buffer the system against correlated failure.

Four Frequency Assessment

Thinness: Structural Slack and Concentration

VULNERABLE — Where structural slack has eroded below recoverable thresholds.

The banking system has undergone one of the most sustained consolidation trends of any sector in the economy. Four decades of mergers have eliminated 76% of independent banking institutions. The consolidation created larger, theoretically more stable institutions. It also created structural fragility through concentration. Failure at any one of the four largest banks transmits consequences across the entire financial system because no combination of smaller institutions can absorb the load.

Branch closures signal geographic concentration. In 2024, approximately 2,200 branches closed while 1,100 opened, a net decline of nearly 1,100. The physical infrastructure through which financial services reaches communities is thinning, concentrating access in digital channels controlled by the largest institutions. The technical capability may be equivalent or superior, but the structural consequence is identical: community financial relationships flow through systems operated by the largest banks.

Permission: Authority and Governance

STRAINED — The architecture of authority and constraint governing risk decisions.

The Permission frequency operates at Strained because formal governance structures exist, but the gap between those structures and actual decision-making authority is measurable across several indicators. Bank Director's 2024 Governance Best Practices Survey found that almost one-fifth of responding

directors and CEOs reported that a single individual directly or indirectly dominates their board's deliberations. When one person controls the information flow and decision architecture of a governing body, the board cannot exercise the independent oversight that regulatory frameworks assume it provides.

CEO-to-median-worker pay ratios provide a structural proxy for authority concentration. The median ratio across larger companies stood at approximately 213:1 in 2024. This measures the structural distance between people who carry operational risk knowledge and people who make strategic decisions about that risk. Large pay ratios do not cause structural failure. They measure the distance that determines whether risk signals reach decision-makers before positions become terminal.

Management: Risk Information Systems

VULNERABLE — The integrity of information the sector uses to price and manage risk.

Financial services' Management frequency operates at Vulnerable because the sector's core function—pricing risk accurately—depends on information systems that are demonstrably diverging from the risk positions they are supposed to describe. Material weaknesses in internal controls reached 15% across public companies in 2024. That means roughly one in seven publicly traded firms has acknowledged that its information architecture cannot reliably produce accurate financial statements.

The specific pattern of deficiencies reveals structural conditions. Material weaknesses related to lack of segregation of duties have trended upward since 2021. Weaknesses related to IT systems, software security, and access controls have also increased steadily. These are not accounting errors. They are structural conditions in the information architecture: the controls that separate who can initiate transactions from who can approve them are weakening, and the technology systems that carry financial information are less secure than they were four years ago.

Absence: Executive Departure and Knowledge Loss

STRAINED — Where critical knowledge and capability have departed or concentrated.

The Absence frequency operates at Strained due to elevated executive turnover that carries institutional risk knowledge out of organizations at rates that exceed historical norms. S&P; 500 CEO succession announcements reached projected levels of 13% annually in 2025—well above the 10% recorded in 2024. External CEO hires nearly doubled from 18% of appointments in 2024 to 33% in 2025, the highest level in eight years.

CFO turnover is more acute. Global CFO departures reached 262 in 2025. For S&P; 500 companies specifically, CFO turnover hit a seven-year high of 12% in the first half of 2025, with companies hiring a record 106 CFOs during the year. The CFO carries the organization's financial risk architecture in operational memory. When CFO turnover reaches record levels, the continuity of risk architecture is

interrupted at the precise position where financial information translates into strategic decisions. CEO and CFO departures drive cascading turnover among risk officers, controllers, and compliance leaders who carry the detailed knowledge of where the institution's actual exposures sit.

Federal Data Evidence Base

This assessment draws on 17 federal data metrics from the FDIC, SEC, BLS, OSHA, and Treasury sources. The metrics below provide measurement points for the structural conditions described in the Four Frequency Assessment above.

Source	Metric	Current Value	Structural Signal
FDIC	FDIC-insured institutions	4,379 (Q3 2025)	76% reduction from 18,000 (1985)
FDIC	Top 4 bank assets	\$11.5T (end 2024)	40%+ of commercial banking assets
FDIC	New bank charters (10-yr avg)	6 per year	vs. 93+ historical minimum
FDIC	Branch closures (net, 2024)	-1,100 branches	Concentration in digital channels
SEC	Material weakness rate	15% (public companies)	Segregation of duties declining
SEC	CEO pay ratio (S&P 500)	213:1 median	Distance between risk and decision
SEC	Insider ownership (Form 4)	Varies by institution	Authority concentration signal
BLS	CFO turnover (S&P 500, H1 2025)	12% (7-year high)	Record 106 CFO hires in 2025
BLS	CEO turnover projection (2025)	13% (S&P 500)	33% external hires (8-year high)
BLS	Financial sector JOLTS	Quits rate elevated	Knowledge departure acceleration
BLS	HHI (employer concentration)	Rising	Structural diversity index declining
Treasury	Deposit concentration	Elevated	Cascade risk in rate environments
Federal Reserve	SVB asset size at failure	\$209B	Below \$250B enhanced supervision
Federal Reserve	SVB unrealized losses	\$15.9B (late 2022)	Known to internal risk systems
OSHA	Complaint inspection ratio	NAICS 52 data	Management attention signal
Bank Director	Single-person board domination	19% of boards	Permission concentration

Sources: FDIC Quarterly Banking Profile, Federal Reserve Board, SEC XBRL filings, BLS QCEW and JOLTS data, OSHA databases, Bank Director 2024 Governance Best Practices Survey, Russell Reynolds Global CFO Turnover Index.

Structural Risk Scenarios

The Four Frequencies assessment reveals structural patterns, not event predictions. These scenarios describe how the measured conditions interact under stress. Whether a specific organization experiences them depends on its internal structural profile.

Scenario 1: Banking Concentration Cascade

Stress event: Major credit event or duration shock at one of the four largest banks. Structural condition: 40% asset concentration means stress transmits across the system immediately because no diversified set of mid-sized institutions can absorb the shock. The Thinness frequency (VULNERABLE) means the system has lost structural buffer. Branch closures and new charter drought mean there is no alternative infrastructure to route deposits and credit relationships. Outcome: Cascade through deposit markets and credit systems.

Scenario 2: Governance Failure Cascade

Stress event: Rapid market deterioration that requires strategic pivot before losses cascade. Structural condition: Permission concentration (19% of boards dominated by single individual) means governance structures cannot synthesize the multiple perspectives required to navigate the pivot quickly. Management systems (VULNERABLE) report compliance rather than structural reality, so the board does not have the information quality required to make fast decisions. Absence (STRAINED) means the experienced risk and compliance officers who might bridge the information gap are transitioning to external hires who do not yet understand the organization's risk architecture. Outcome: Decision paralysis while losses accumulate.

Scenario 3: Information Architecture Failure

Stress event: Rapid interest rate move or liquidity event requiring immediate recognition and response. Structural condition: Material weaknesses in segregation of duties and IT security mean controls that normally alert management to concentration risk are not functioning. Governance concentration means the few people who might recognize the signal lack authority to act independently. Absence means the experienced risk professionals who handled similar events in previous cycles are departing. The structure cannot respond at the speed required. Outcome: SVB pattern—information exists inside systems, fails to reach decision-makers with sufficient force, position becomes terminal before action occurs.

Each scenario describes a pattern measurable in sector data today. Whether a specific organization experiences it depends on its internal structural profile.

The Diagnostic Gap

This brief assesses structural conditions visible from federal data and public sources. The Four Frequencies framework measures 20 dimensions. Twelve are assessable from public data. Eight require diagnostic access to an organization's internal structural patterns through behavioral intelligence from raters inside the organization.

What Public Data Reveals (12 Dimensions)

The 12 public dimensions capture sector-level structural conditions: consolidation velocity, new institution formation rates, governance concentration, compensation distance, material weakness rates, executive turnover, CFO succession patterns, and regulatory permission thresholds. These are the dimensions scored in this brief. They describe the structural environment that every organization in financial services inhabits.

What Requires Diagnostic Access (8 Dimensions)

Risk Recognition Architecture

Whether the organization actually detects emerging risks at the speed the environment requires. Federal data shows material weakness rates. It cannot map whether your specific organization's controls translate information into action.

Decision Velocity Under Pressure

How fast the organization moves from risk recognition to strategic decision when normal governance processes are too slow. Consolidation data shows authority concentration. It cannot measure whether your organization can override that concentration when required.

Knowledge Continuity Through Transition

Whether departing leaders transfer critical risk knowledge to successors before leaving. Turnover rates show departure velocity. They cannot assess whether transition architecture actually preserves the knowledge being handed off.

Governance Functional Independence

Whether the board and executive team can act independently when their interests diverge from external pressure. Insider ownership and pay ratio data reveal structural distance. They cannot measure whether that distance creates functional independence or paralyzes decision-making.

Information System Integrity Under Stress

Whether management information systems continue to report accurately when normal operations are disrupted. Material weakness data shows systemic patterns. It cannot assess whether your controls remain functional under the specific conditions your organization faces.

Succession Readiness at Every Level

Whether identified successors can actually absorb the structural load of roles they would inherit. Turnover data shows how often transitions happen. It cannot assess whether the next leader inherits a functional structure or a fragile one that depends on the outgoing leader's relationships.

Compensatory Load Distribution

Which informal relationships and trust networks are currently absorbing structural weight that formal systems have failed to carry. Federal data reveals sector-level patterns. It cannot identify which specific relationships are critical in your organization.

Adaptive Structural Capacity

How the organization's structural profile changes under sustained pressure, not just acute crisis. The scenarios above describe sector-level patterns. Only internal measurement reveals how your specific structure responds.

The gap between what is publicly visible and what is structurally real is where organizational risk lives. The brief tells you the weather. The diagnostic tells you whether your roof can hold.

Methodology

The Four Frequencies framework measures structural resilience across four dimensions: Thinness (depth of critical capacity), Permission (distribution of decision authority), Management (leadership and operational effectiveness), and Absence (gaps in critical functions and their consequences). Each frequency is assessed across five dimensions, for a total of twenty structural measurements.

Sector-level assessments draw on federal data mapped to the twelve publicly-measurable dimensions. Organization-level diagnostics add behavioral intelligence from internal raters to score all twenty dimensions. The combination produces the Structural Resilience Index (SRI), a composite score calibrated to a six-band severity scale.

Severity terminology: RESILIENT (structural depth across all frequencies), STABLE (adequate structural capacity with minor gaps), STRAINED (measurable structural pressure in one or more frequencies), VULNERABLE (significant structural gaps with compounding risk), FRAGILE (structural conditions that amplify disruption), CRITICAL (structural failure in progress or imminent).

What This Means for Your Organization

This brief describes the structural environment your organization operates inside. Whether these sector-level conditions are amplified or mitigated within your specific organization depends on your internal structural profile.

The Four Frequencies diagnostic measures all 20 dimensions for a single organization, producing a 40-page structural analysis with the Structural Resilience Index.

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About S.J. Bridger

S.J. Bridger is a structural resilience diagnostics practice. We analyze the structural conditions that determine whether organizations hold together when key people leave, when systems fail, and when the relationships that carried institutional knowledge disappear. The Four Frequencies framework was developed through forensic analysis of organizational failures across multiple sectors and refined through diagnostic engagements that measure what traditional assessments miss.

Structural Intelligence Briefs are published assessments of sector-level conditions. They are updated quarterly as federal data sources release new information. The Financial Services brief is the second in a series covering all 16 CISA critical infrastructure sectors.

DISCLAIMER: This Structural Intelligence Brief is a sector-level structural assessment based on publicly available federal data and the Four Frequencies analytical framework. It does not constitute advice to any specific organization. It does not establish a consulting engagement, advisory relationship, or professional obligation between S.J. Bridger and any reader or recipient.

Sector-level structural conditions described in this brief may or may not apply to any individual organization within the financial services sector. Organizational structural profiles vary based on internal conditions that are measurable only through diagnostic engagement. Decisions regarding organizational strategy, workforce planning, risk management, or any other operational matter should not be based solely on the sector-level findings in this document.

The severity scores, structural risk scenarios, and analytical observations in this brief reflect conditions as of the publication date. Federal data sources update at varying intervals. This brief will be updated quarterly. Prior versions should not be relied upon after a subsequent version has been published.

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