September 26, 2025

Via Electronic Submission

Jennifer M. Jones
Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Adjusting and Indexing Certain Regulatory Thresholds (RIN 3064-AG15)

Dear Sir or Madam,

The American Bankers Association[1] and the undersigned bankers associations appreciate the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) proposal (the proposal) to adjust and index certain regulatory thresholds. The proposal would amend certain regulatory thresholds to reflect inflation from the date of initial implementation, or the most recent adjustment, and provide for future adjustments pursuant to an indexing methodology.

We support the FDIC's proposal to adjust and index the regulatory thresholds under its statutory authority, including those in 12 CFR Part 363. This initiative represents a long-overdue modernization of a regulatory framework that has not kept pace with economic growth, the evolving structure of the banking sector, or inflation. We commend the FDIC for taking this important step toward aligning regulatory coverage with real-world conditions.

However, we strongly encourage the FDIC to consider methodological changes to ensure that indexing mechanisms are appropriately tailored to the nature and purpose of each threshold. Specifically, we urge the agency to reconsider the application of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to asset-based thresholds.

To better preserve the original intent of asset-based thresholds, nominal Gross Domestic Product (GDP) would serve as a more suitable alternative. Indexing to nominal GDP would help ensure that asset thresholds remain proportionate to the size of the broader economy (see page 3). At the same time, we support the use of CPI-W or a comparable price index for consumer-facing dollar-based thresholds. These thresholds are more appropriately tied to general price levels and consumer inflation.

We view this proposal as a critical first step and encourage the FDIC to continue pursuing indexing efforts internally, through interagency coordination, and in collaboration with Congress.

[1] The American Bankers Association is the voice of the nation's $25.0 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard $19.7 trillion in deposits and extend $13.1 trillion in loans.

I. A long overdue modernization of the regulatory framework.

This initiative represents a long-overdue modernization of a regulatory framework that has not kept pace with economic growth and the evolving structure of the banking sector. For decades, regulatory thresholds have been fixed in nominal terms and used as bright-line triggers for regulatory requirements. These figures were typically set during very different economic conditions and have not been updated to reflect changes in the banking sector. As a result, thresholds that once reflected meaningful distinctions in size, complexity, or risk now capture institutions that were never intended to be subject to more burdensome regulatory requirements.

Static thresholds create a host of unintended consequences. Over time, economic growth and inflation erode the real value of these thresholds, pulling more institutions into regulatory regimes that were never intended to apply to them. This results in a misallocation of supervisory resources, unnecessary compliance costs, and distorted business planning. Community banks, in particular, face recruitment and operational challenges in meeting requirements that were designed for much larger institutions.

Banks with limited complexity or risk profiles may be forced to shoulder costs and reporting burdens designed for much larger peers. Institutions manage their balance sheets defensively to avoid crossing arbitrary thresholds. In some cases, this distortion discourages organic growth and instead encourages consolidation as the only viable means to absorb new regulatory burdens.

Static thresholds also carry consequences for regulators. An expanding pool of covered banks beyond the intended scope dilutes regulatory efforts and the ability of agencies to focus on the largest sources of risk. These outcomes run counter to the policy objectives Congress and regulators have set.

Indexing offers a solution. By ensuring that thresholds evolve with economic growth, indexing preserves the original intent of regulatory frameworks while reducing the need for constant intervention. It enhances transparency, supports long-term planning, and ensures regulatory requirements remain aligned with actual risk. In short, indexing will make oversight smarter, more sustainable, and more credible.

The FDIC's proposal acknowledges the current disconnect and takes a pragmatic step toward aligning regulatory coverage with real-world conditions. By proposing to index select thresholds to inflation, the agency is introducing a mechanism that will allow the regulatory framework to evolve over time without requiring repeated rulemakings or legislative action. This approach enhances predictability, reduces arbitrary burden, and ensures that thresholds remain meaningful and risk appropriate. We commend the FDIC for its leadership and urges the other banking agencies to follow suit.

II. Improving the indexing methodology.

While the proposal is limited to rules under the FDIC's sole authority, its implications are broader. The FDIC is effectively establishing a baseline methodology that other regulators—including the OCC, Federal Reserve, and CFPB—will need to consider. A consistent approach across agencies is essential to avoid fragmentation and ensure coherence in the application of regulatory thresholds.

a) Index asset-based thresholds to nominal Gross Domestic Product (GDP).

We applaud the FDIC's effort to develop a sound and transparent framework for indexing regulatory thresholds. While we appreciate the rationale for using CPI-W, we strongly encourage the FDIC to reconsider its application to asset- and activity-based thresholds. Many of these thresholds were originally tied (explicitly or implicitly) to market structure, systemic risk, or the scale of the banking sector, rather than to general price levels.

To better preserve the original intent of these thresholds, the FDIC should reconsider the use of nominal GDP as a more suitable alternative. Indexing to nominal GDP would help ensure that thresholds remain proportionate to the size of the broader economy. Unlike CPI-W, which measures only price levels, nominal GDP captures the aggregate value of goods and services produced, aligning more closely with the critical role of the financial services sector in driving economic growth.

At the same time, we support the use of CPI-W or a comparable price index for consumer-facing dollar-based thresholds, such as the $1,000 filing procedures threshold under 12 CFR Part 303 or the $5 million threshold on loans to insiders under Part 335. Monetary thresholds are more appropriately tied to general price levels and consumer inflation. CPI-based indexing would ensure they remain consistent in real dollar terms and maintain purchasing power consistency.

b) Consider base effects of the one-time initial adjustment.

We strongly support the FDIC's proposal to initially adjust asset thresholds to reflect past growth before indexing going forward. However, we encourage the agency to carefully consider whether the original figures were grounded in sound policy rationale. In some cases, inflating thresholds without reassessing their basis could inadvertently perpetuate outdated or arbitrary policy design.

The FDIC's proposal to raise the asset threshold for internal control attestation requirements under Part 363 from $1 billion to $5 billion is a prime example of a threshold that required a targeted recalibration. The proposed change reflects a long-standing recognition that the $1 billion threshold imposes disproportionate burdens on smaller institutions, particularly community banks with limited economies of scale and constrained access to specialized audit firms (see question 10). We thank the FDIC for rightly acknowledging the need for a bespoke adjustment to better align the threshold with current industry realities, rather than defaulting to cumulative inflation since 2005. This thoughtful approach should serve as a model for future threshold revisions.

c) Smooth transition runways when banks cross regulatory thresholds

We strongly encourage the FDIC to 1) apply revised asset thresholds retroactively for any bank that crossed a given threshold within the past 12 months, and 2) ensure banks have sufficient runway to comply with heightened regulatory requirements after they meaningfully cross an asset threshold.

The proposal recognizes that the relief banks would realize from threshold revisions would vary by regulation. For many rules, initial adjustments would take effect at the start of the first calendar quarter following adoption of the final rule, with subsequent adjustments effective each April 1 of adjustment years. However, thresholds under part 363 operate on a fiscal year basis. Banks that cross a threshold would remain subject to the rule until the start of their next fiscal year, even if the revised threshold would otherwise exempt them.

For banks exceeding current thresholds as of the measurement date, this timing misalignment carries significant fixed cost implications and inefficient use of resources. Institutions may be required to enhance internal controls and governance to temporarily comply with rules that the agency acknowledges are overdue for adjustment. Without a transitional relief mechanism, this issue will recur with each future revision, imposing unnecessary burdens on banks that briefly exceed outdated thresholds.

The high cost of compliance associated with regulatory asset thresholds is known to produce distortionary market "cliff effects."[2] These effects can discourage organic growth, as banks manage their balance sheets to remain just below compliance triggers. In some cases, institutions may favor mergers and acquisitions to mitigate the sudden compliance costs of cliffs that organic growth would incur.[3]

To mitigate these effects, and to support the ability of banks to augment systems and processes as they approach regulatory thresholds, the FDIC should adopt more meaningful criteria for determining when a threshold has been crossed. These could include average assets over four consecutive quarters[4] or assets exceeding a threshold for each of the prior two calendar years,[5] rather than single point-in-time measures like quarter-end balances, which are prone to short-term fluctuations.

Together, these changes would promote smoother transitions, reduce cliff effects, and support more sustainable growth across the banking sector.

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[2] Marc Labonte & David W. Perkins, (2021, May 3). *Over the Line: Asset Thresholds in Bank Regulation*. (CRS Report No. R46779). https://www.congress.gov/crs-product/R46779.

[3] Yizhu Wang & Weihua Li, Regional Banks are ripe for mergers as DC warms to consolidation Bloomberg (2025), https://www.bloomberg.com/news/features/2025-08-05/mergers-could-help-banks-leap-not-crawl-over-regulatory-lines.

[4] *E.g.,* 12 CFR § 225.8(b)(2) https://www.ecfr.gov/current/title-12/chapter-II/subchapter-A/part-225/subpart-A/section-225.8

[5] Community Reinvestment Act Reporting Criteria, FFIEC.gov, Available at: https://www.ffiec.gov/data/cra/reporting-criteria (Last updated: 4 March 2025).

III. More work to be done.

We thank the FDIC for its leadership in proposing this long-overdue modernization of regulatory thresholds. The proposal represents a critical first step toward a more rational and durable regulatory framework. We are encouraged by the growing recognition among policymakers, including Acting Chairman Hill and Vice Chair Bowman, that outdated thresholds can impose unnecessary burdens and urge the FDIC to build on this momentum.[6]

Many thresholds not addressed in this proposal remain outdated and continue to impose disproportionate burdens on institutions that have grown in size but not in complexity or systemic importance. We urge the FDIC to expand its efforts in subsequent rulemakings to include all thresholds under its statutory authority.

We also encourage the FDIC to coordinate with the other federal banking regulators on thresholds that require interagency rulemaking. A harmonized approach across agencies will be essential to avoid regulatory fragmentation and ensure that institutions are not subject to inconsistent or duplicative requirements. In addition, we urge the FDIC to work with Congress to identify statutory thresholds that require legislative action to modernize.

Developing a more cohesive regulatory framework requires identifying common, historically grounded reference points. In the table on the right, we propose reasonable reference provisions across existing asset thresholds that could be used to adjust for past economic growth. This list is not intended to be exhaustive of all thresholds. Rather, it illustrates how policymakers could simplify and right-size the regulatory framework.[7] Given our recommendation to index to nominal GDP, we also include the original thresholds established for provisions that are currently indexed to CPI-W.

Right-sizing and simplifying asset thresholds

Reference provision	Effective date	Reference Quarter	Asset or Activity threshold ($millions) *Inception*	*Indexed, nominal GDP*
Tailoring rule	12/31/2019	2019 Q4	$ 700,000	$ 960,000
			$ 250,000	$ 340,000
			$ 100,000	$ 140,000
			$ 75,000	$ 100,000
Dodd Frank Act, e.g., enhanced supervision and prudential standards	7/21/2010	2010 Q3	$ 50,000	$ 100,000
Thrift charter opt out	12/31/2017	2017 Q4	$ 20,000	$ 30,000
Dodd Frank Act, e.g., Durbin Amendment	7/21/2010	2010 Q3	$ 10,000	$ 20,000
Short-form call report	9/30/2019	2019 Q3	$ 5,000	$ 7,000
Reg Z escrow reqs, 78 Fed. Reg. 4726	6/1/2013	2013 Q2	$ 2,000	$ 3,600
CRA Intermediate small bank	9/1/2005	2005 Q3	$ 250	$ 580
HMDA reporters	7/1/1997	1997 Q2	$ 28	$ 100

Source: ABA analysis, FRED. Adjustments reflect the cumulative change in nominal GDP through 2025 Q2

[6] Michelle Bowman, "Taking a Fresh Look at Supervision and Regulation," Georgetown University McDonough School of Business Psaros Center for Financial Markets and Policy, Washington D.C., June 6, 2025. https://www.federalreserve.gov/newsevents/speech/bowman20250606a.htm

[7] Toward a smarter framework for bank asset thresholds, ABA Banking Journal (2025), https://bankingjournal.aba.com/2025/06/aba-viewpoint-toward-a-smarter-framework-for-bank-asset-thresholds/.

As the FDIC looks forward and works with the Federal Reserve and the OCC on indexing other regulatory thresholds for economic growth, we encourage the agencies to keep transition periods in mind (see page 4). Indexing regulatory thresholds is greatly needed to right-size our regulatory system and ensure our framework aligns with market realities. Transition periods will better enable institutions to plan and prepare for new or heightened regulatory requirements that come as institutions cross regulatory thresholds and eliminate cliff effects. Together, indexing thresholds and including transition periods, will right-size the financial regulatory system and recalibrate it with growth and durability in mind.

IV. Responses to select proposal questions

9. Does the proposal appropriately balance the objectives preserving the levels of part 363 thresholds on an inflation-adjusted basis and reducing burden for smaller institutions with the safety and soundness benefits of audit and financial controls requirements? If not, how could the proposal improve the balance of these objectives?

The proposed increase of the $500 million and $3 billion asset thresholds under part 363 to $1 billion and $5 billion, respectively, is a directionally positive change that would reduce burden for community banks while still adhering to safety and soundness principles.

However, these adjustments do not fully reflect the 32 years of economic growth since these thresholds were established in 1993. Indexed to nominal GDP, the $500 million and $3 billion thresholds would have grown to $2.2 billion and $13 billion, respectively. Accordingly, the proposed adjustments would remain well below the appropriately calibrated level.

Per the proposal, when the FDIC initially implemented part 363, the $500 million threshold captured approximately 7 percent of all banks and 75 percent of U.S. banking assets. Similarly, the $3 billion threshold captured approximately 2 percent of all banks and 58 percent of industry assets.[8]

In 2025 Q2, nearly 13 percent of banks had assets greater than $2.2 billion, accounting for 93 percent of U.S. banking assets.[9] Three percent of the industry had assets greater than $13 billion and held 85 percent of all assets. If adopted, these updated thresholds would exceed the proportion of the industry covered when the rule was first implemented and maintain the original intent of the regulation while reducing unnecessary burden for an additional 653 community banks.[10]

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[8] ABA analysis of 1993 Q2 FDIC data.
[9] ABA analysis of 2025 Q2 FDIC data.
[10] In 2025 Q2, there were 497 banks with assets between $1 billion and $2.2 billion and 156 banks with assets between $5 billion and $13 billion.

Importantly, the proposal to raise the $1 billion threshold to $5 billion for an external attestation of internal controls should be viewed as a distinct and necessary recalibration. This threshold has long been a particular pain point for community banks, and its revision reflects a deliberate effort to address a known regulatory burden (see question 10).

10. *Would the proposed thresholds under part 363 help to address challenges for smaller institutions in rural areas or other geographies? Please describe any elevated challenges associated with current provisions of part 363 and whether the proposal would help to address them. Please provide supporting data where available.*

We thank the FDIC for the proposal to raise the asset threshold for internal control attestation requirements under Part 363 from $1 billion to $5 billion. This change would provide meaningful relief to hundreds of institutions that currently fall within the $1 billion to $5 billion asset range. These community banks, many of which serve rural or geographically dispersed areas, face disproportionately high costs in complying with requirements related to internal controls over financial reporting (ICFR). The high cost of then obtaining an external attestation is a significant financial and resource burden for banks with limited economies of scale and constrained access to specialized audit firms.

Importantly, the FDIC has previously acknowledged this burden. In its 2005 rulemaking,[11] the FDIC raised the ICFR attestation threshold from $500 million to $1 billion, citing the growing compliance costs driven by the Sarbanes-Oxley Act, new auditing standards, and the disproportionate impact on smaller nonpublic institutions. The FDIC recognized that these institutions were experiencing elevated burdens and acted to relieve them while maintaining safety and soundness. The current proposal to raise the threshold to $5 billion is a welcome continuation of that thoughtful approach.

This change also illustrates the importance of considering the base effects before implementing initial adjustments. Some thresholds require a one-time recalibration to correct for past misalignment before indexing can be meaningfully applied.

The proposed revision to the $500 million threshold will help address the challenges facing smaller community banks. The members of the undersigned associations approaching the $500 million threshold have long emphasized the difficulties they face recruiting the requisite talent needed to satisfy audit committee requirements.

For example, one member-bank shared that they have been actively pursuing the addition of two outside, independent directors qualified to serve on their audit

[11] Final Rule: Independent Audits and Reporting Requirements, 70 Fed. Reg. 71226 (Nov. 28, 2005)

committee since January 2024 and have not yet identified a qualified candidate. The pool of such candidates is very limited in some parts of the country.

Increasing the $500 million threshold would alleviate the immediate need of these banks to add or seek replacement directors. The change would significantly reduce regulatory burden without negatively affecting safety and soundness. While raising the threshold to $1 billion represents progress, we reiterate that it would not fully reflect the scale of economic growth since the rule's inception, and further adjustment would better align the threshold with current industry realities (see page 6).

During the review of Part 363, we identified additional areas for potential enhancement that were beyond the scope of this proposal, such as audit committee independence criterion, outdated notice requirements, and the application of thresholds at the bank holding company level versus the insured depository institution level. We strongly encourage the FDIC to take a comprehensive look at all aspects of part 363 as part of a separate rulemaking to ensure its continued necessity and relevance.

14. *Under the proposal, the FDIC would generally not expect to adjust thresholds lower in any given year, for example, following periods of deflation. Is it appropriate to only adjust thresholds higher to reflect inflation? What would be the advantages and disadvantages of adjusting thresholds to reflect both inflationary and deflationary periods?*

We support the FDIC's proposal to adjust thresholds only upward to reflect inflation or economic growth, and not downward during periods of deflation or economic contraction. Downward revisions would be procyclical, potentially exacerbating challenges during economic downturns by imposing additional regulatory burdens when institutions are already under stress. These added burdens would restrict banks' ability to meet customer needs and support the economy during periods of economic hardship.

17. *Should the FDIC apply the proposed methodology consistently across all regulations or should the FDIC tailor alternative methodologies to consider factors specific to each individual threshold and/or regulation, or groups of thresholds and/or regulations? Would the benefits of a more tailored approach justify the cost of inconsistent indexing methods?*

The FDIC should separate asset-based regulatory thresholds from consumer-facing dollar-based thresholds. As we argue on page 3, asset thresholds are best indexed to nominal GDP. In contrast, consumer-facing thresholds should be indexed to CPI-W or similar price indices, as they are closely tied to purchasing power and inflation.

Maintaining this distinction ensures that indexing methodologies are appropriately tailored to the purpose and impact of each threshold.

21. *What would be the advantages and disadvantages of using GDP for updating and indexing thresholds within FDIC regulations?*

As we note on page 3, nominal GDP is a more suitable metric for indexing asset-based thresholds.

The proposal identified three challenges with indexing to nominal GDP, including the potential for stagflation, the lagging nature of GDP data, and the complexity of the measure.

Stagflation is rare. While the potential for stagflation presents challenges, it has been infrequent in U.S. history. In such cases, regulators should retain discretion to make ad hoc adjustments to thresholds, as appropriate.

The timing of GDP releases is predictable, which would allow data lags to be addressed. For example, the third estimate of Q3 GDP is typically available by late December. The FDIC could reference this estimate and still maintain its proposed April 1 effective date.

Finally, the breadth of GDP, which captures more than just changes in price levels, is a strength. Its scope reflects the full scale of economic activity, which more closely aligns with the important role banks play in supporting the broader economy.

24. *What would be the advantages and disadvantages of using shorter or longer adjustment frequencies within the indexing methodology for thresholds in FDIC regulations? For example, the FDIC could adjust thresholds at the end of every one-year period, or it could adjust thresholds at the end of every three-year, five-year or ten-year period. Would there be unintended consequences of using a longer period, such as impacting the ability of the indexing methodology to preserve thresholds in real terms on an inflation-adjusted basis? Alternatively, would there be unintended consequences of using a shorter period, such as adding undue complexity or burden?*

As we note on page 4, we strongly encourage the FDIC to smooth transition runways when banks cross a regulatory threshold by 1) applying revised asset thresholds retroactively for any bank that crossed a given threshold within the past 12 months, and 2) ensuring banks have sufficient time to comply with heightened regulatory requirements after they meaningfully cross an asset threshold.

25. *What would be the advantages and disadvantages of providing for a potential adjustment in intervening year(s) if the cumulative change in the non-seasonally adjusted CPI-W since the last adjustment exceeds 8 percent? Is there a level other than 8 percent that should be considered to require an adjustment in the intervening year(s)? If so, what would be the advantages and disadvantages of such a level relative to the 8 percent level under the proposal? How should the FDIC balance the objective of reflecting periods of significant inflation with the complexity of allowing for interim adjustments during the two-year cadence?*

We support the proposal to provide threshold adjustments in intervening years if the cumulative change in the non-seasonally adjusted CPI-W since the last adjustment exceeds 8 percent. This approach strikes a sensible balance between responsiveness and predictability.

Likewise, per our view that the FDIC should separate asset- and activity-based regulatory thresholds from consumer-facing dollar-based thresholds, the FDIC should adopt a level for which intervening adjustments would be made if the cumulative change in nominal GDP exceeds a given amount. Setting this level at 10 percent would be generally consistent with the 8 percent level established for CPI-W, according to ABA analysis of the historical annual growth rates of the two respective measures.

We appreciate the opportunity to comment on this proposal, and we look forward to working with the FDIC on this issue in future proposed rulemakings.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
DC Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
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New Hampshire Bankers Association
New Jersey Bankers Association

New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
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Virginia Bankers Association
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West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association