September 26, 2025

Via Electronic Mail

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429
Attention: Jennifer M. Jones, Deputy Executive Secretary, Comments/Legal OES

Re: Notice of Proposed Rulemaking—Adjusting and Indexing Certain Regulatory Thresholds RIN 3064–AG15

Ladies and Gentlemen:

The Bank Policy Institute[1] appreciates the opportunity to comment on the FDIC's proposal to adjust and index certain regulatory thresholds contained in its regulations to reflect inflation, and to establish a methodology for automatic future adjustments.[2] The proposal represents an important step toward remedying the long-standing problem of regulatory thresholds eroding in real terms (and expanding the coverage of regulatory requirements beyond their intended scope) due to the lack of adjustment for growth in prices and economic activity over time. The FDIC's commitment to implement systematic, predictable threshold adjustments is commendable, as it will reduce the unintended expansion of regulatory scope over time.

We strongly support the FDIC's initiative to modernize regulatory thresholds but respectfully urge further action through interagency collaboration to adopt broader metrics for indexing. Such action is necessary for FDIC rules jointly promulgated with the Office of the Comptroller of the Currency and the Federal Reserve Board. While this proposal is limited to FDIC-regulated institutions, we believe it is important to articulate broader recommendations regarding indexing and prudential tailoring. Coordinated rulemaking across all federal banking agencies is essential to ensure that regulatory thresholds and category definitions remain current, empirically grounded, and appropriately differentiated for institutions with varying risk profiles.

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1 The Bank Policy Institute is a nonpartisan public policy, research and advocacy group that represents universal banks, regional banks, and the major foreign banks doing business in the United States. The Institute produces academic research and analysis on regulatory and monetary policy topics, analyzes and comments on proposed regulations, and represents the financial services industry with respect to cybersecurity, fraud, and other information security issues.

2 90 Fed. Reg. 35449 (Jul. 28, 2025), available at https://www.govinfo.gov/content/pkg/FR-2025-07-28/pdf/2025-14132.pdf.

I. We strongly support regulatory modernization through threshold indexing.

Regulatory thresholds can serve a critical function in tailoring rule applicability according to the size, complexity, and risk profile of covered institutions. However, when thresholds are set in nominal dollar terms and left unadjusted for prolonged periods, inflation and economic growth cause more firms to breach those thresholds without any corresponding increase in complexity or risk profile. As the FDIC notes in its proposal, this results in institutions becoming subject to requirements designed for larger and more complex firms–increasing compliance burden and distorting the intended regulatory landscape. BPI commends the FDIC for recognizing the longstanding problem posed by static nominal regulatory thresholds and for proposing to make one-time catch-up and automatic future adjustments to promote a more effective and predictable regulatory framework.

We encourage the FDIC to continue its leadership by coordinating with the Federal Reserve and OCC to ensure that all significant prudential regulatory thresholds administered jointly across agencies are subject to similar indexing and adjustment mechanisms.

II. Interagency coordination and action are needed to extend indexing to important prudential regulatory thresholds.

The banking agencies' 2019 regulatory tailoring efforts were intended—consistent with statutory direction in S.2155—to calibrate the application of prudential regulatory requirements commensurate with a firm's risk profile. The agencies implemented the statutory directive by establishing prudential regulatory categories to which firms are assigned based on nominal dollar thresholds (using size or risk-based indicators).[3] However, despite their recognition that these thresholds should "reflect growth on a macroeconomic and industry-wide basis," the agencies have not undertaken regular reviews nor implemented automatic indexing.[4]

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3 The tailoring rules assign all U.S. bank holding companies and certain covered savings and loan holding companies with $100 billion or more in total consolidated assets to one of four categories based on their asset size and other "risk-based indicators," with all U.S. GSIBs being automatically assigned to Category I. For purposes of assigning non-Category I firms to one of the other three categories, the rules set a threshold of $75 billion for each of four risk-based indicators (other than asset size): cross-jurisdictional activity, weighted short-term wholesale funding, nonbank assets, and off-balance-sheet exposure. Non-Category I firms are also assigned to Category II if they have $700 billion or more in total consolidated assets.

4 The federal banking agencies committed to periodically update the fixed nominal thresholds embedded in the 2019 tailoring rules to ensure regulations remain consistent with the tailoring objectives. Despite many comments calling for automatic indexing, the agencies instead noted that they "acknowledge the thresholds should be reevaluated over time to ensure they appropriately reflect growth on a macroeconomic and industry-wide basis, as well as to continue to support the objectives of this rule. The agencies plan to accomplish this by periodically reviewing the thresholds and proposing changes through the notice and comment process, rather than including an automatic adjustment of thresholds based on indexing." See 84 FR 59230, 59244. However, no such periodic review has been done, despite significant inflation and growth in real economic activity over the past six years.

Another salient example (although notably outside of the FDIC's remit): in its 2015 final rule implementing the GSIB capital surcharge framework, the Federal Reserve stated that "[t]o ensure changes in economic growth do not unduly affect firms' systemic risk scores, the Board will periodically review the coefficients and make adjustments as appropriate." 80 FR 49082, 49088. And similarly, now more than ten years on, no such periodic review has been implemented.

Since the end of 2019, firms' asset size and risk-based indicators have increased, in large part, due to increases in the general price level and economic expansion. Had the $700 billion Category II threshold been indexed to nominal GDP it would now be $969 billion; similarly, risk-based indicator thresholds set at $75 billion would be $104 billion today. As a result, firms can migrate into more stringent prudential regulatory categories as static nominal thresholds are breached, even though the firm's relative significance and risk profile within the U.S. banking system remains steady.[5]

Periodic adjustments to the dollar-based thresholds used in the tailoring rules based on changes in inflation and economic growth would help prevent the application of more stringent capital, liquidity and other prudential standards to firms simply due to changes in the macroeconomy. The agencies should automatically adjust the dollar-based thresholds used in the risk-based indicators, as well as the $700 billion asset-size threshold for Category II, on a periodic basis to account for economic growth and inflation. Consistent with the FDIC's indexing initiative, threshold recalibration should occur both as an initial "catch-up" adjustment and through ongoing periodic updates, which are codified rather than discretionary.[6] BPI strongly recommends integrating automatic indexing into all categories and subcategories of prudential regulation, including prudential tailoring categories that are among the most consequential regulations in the banking sector. Given that not all regulatory uses of nominal dollar thresholds implicate systemic risk considerations, we recommend a "fit-for-purpose" approach wherein the agencies use nominal GDP for prudential thresholds impacting measures based on size or risk-based measures, with the ability to consider CPI-W (or similar inflation measures) for thresholds that are less sensitive to the impact of overall growth in the economy.

A. Nominal GDP is a better indexing metric for prudential regulatory thresholds.

BPI urges the FDIC and other federal banking agencies to use nominal GDP to index regulatory thresholds used to determine the application of prudential regulations. While inflation indexing using the CPI-W addresses one aspect of threshold erosion, it does not account for real growth in the U.S. economy (or growth in the banking sector). By indexing thresholds to nominal GDP, the banking agencies can maintain the intended scope and proportional application of enhanced requirements.

Over the past decade, real GDP increased by 26% and the general price level (as measured by the

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5 For example, the $75 billion threshold for Category III risk-based indicators was originally set to capture cases where a particular indicator (e.g., nonbank assets or short-term wholesale funding) represented a significant concentration for a firm with $100–250 billion in total assets. However, as firm assets have generally grown in line with the size of the economy, the static $75 billion threshold will increasingly capture firms solely due to this proportional growth, rather than any meaningful increase in risk.

6 Statutory thresholds (e.g., $100 billion and $250 billion) should also be indexed to nominal GDP through legislative action, to reinforce and harmonize regulatory tailoring. The Federal Reserve retains discretion with respect to the $100 billion threshold, and could impose enhanced prudential standards on firms with $100-249 billion (or a higher indexed amount) in assets on the basis of meeting additional non-asset size risk-based indicators, as in other categories.

GDP deflator) by 32%.[7] However, because of compounding, nominal GDP expanded 66% over this time.[8] (By comparison, total banking assets expanded 61%.) Thus, only using inflation to adjust regulatory thresholds can significantly understate the passive expansion of measured financial activity and inadvertently result in more banks becoming subject to enhanced prudential requirements.

The FDIC acknowledges in its proposal that "[u]sing GDP as a basis for updating and indexing thresholds may provide for thresholds that more closely reflect the banking industry's proportional role in the economy."[9] However, the agency cites two disadvantages of using GDP within its proposed indexing methodology. First, the FDIC notes that GDP is subject to business cycle fluctuations which may not always correspond with price level changes, such as in a ''stagflationary'' environment where real economic activity declines while prices are rising. Second, the FDIC notes that GDP is a lagging indicator that is frequently revised and, depending on the frequency of revisions, thresholds could be revised according to a percentage change in GDP that is subsequently revised, thereby limiting the indexing methodology's accuracy as well as the durability of revised threshold amounts in maintaining their levels in real terms.[10]

With respect to the first concern, during any recessionary period (decline in real GDP) nominal GDP growth will not keep pace with inflation. However, as the FDIC notes, the U.S. economy generally grows in real terms such that over longer time horizons the growth in nominal GDP has significantly exceeded price inflation. Hence, we believe that the long-run benefit of indexing to nominal GDP would exceed any temporary shortfalls.

With respect to the second cited disadvantage, it is true that GDP figures are revised.[11] Following a quarter-end the Bureau of Economic Analysis (BEA) provides an advance estimate, second estimate, and third (final) estimate before the start of the next quarter. This suggests that an indexing with a one-quarter lag could be appropriate. The BEA also conducts annual and longer-term benchmark revisions to their GDP estimates, although we are unaware of any studies demonstrating systematic bias in the direction or magnitude of these revisions. As a result, the effect of any revisions should be neutralized over time.[12]

We encourage the agencies to work collaboratively, including to leverage prior work undertaken to

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[7] Data from the Bureau of Economic Analysis measured from 2015:Q2 through 2025:Q2. Note that the Bureau of Labor Statistics CPI-W index increased 35% over the same time horizon, as compared to the 32% for the GDP deflator. For a discussion of differences between these series, see: Jonathan D. Church, "Comparing the Consumer Price Index with the gross domestic product price index and gross domestic product implicit price deflator," *Monthly Labor Review,* U.S. Bureau of Labor Statistics, March 2016, https://doi.org/10.21916/mlr.2016.13.

[8] Nominal GDP growth = Real GDP growth + GDP deflator growth + (real GDP growth x GDP deflator growth).

[9] 90 Fed. Reg. 35449, 35459 (Jul. 28, 2025).

[10] 90 Fed. Reg. 35449, 35459 (Jul. 28, 2025).

[11] The FDIC proposal also refers to nominal GDP as being a lagging economic indicator. We are confused by and disagree with this characterization, as nominal GDP and measures of inflation are both lagging indicators in the general sense of the term.

[12] An existing example of indexing using a metric that is subject to revision is the conforming loan limits set by the Federal Housing Finance Agency (FHFA), which are directly tied to the annual percentage change in the FHFA House Price Index (HPI). The HPI is subject to periodic revision as new data are incorporated and methodologies are updated. For more information see, https://www.fhfa.gov/faqs/hpi?tab=methodology.

consider the use of nominal GDP as an indexing measure in other, similar contexts.[13]

B. The federal banking agencies should revisit the prudential regulatory category definitions, the calibration of risk-based indicators, and the application of prudential requirements to reflect meaningful differences.

The federal banking agencies should reflect greater differentiation among the standards applied across firms in different prudential regulatory categories to better align requirements with regulatory goals. Currently, nearly identical standards are applied across the four categories, undermining the statutory direction that the Federal Reserve "shall" differentiate requirements by taking into consideration "their capital structure, riskiness, complexity, financial activities (including the financial activities of their subsidiaries), size" and other risk-related factors.[14] For example, there is currently little daylight between Categories I and II in terms of prudential requirements (only the TLAC requirements, GSIB surcharge and the eSLR apply exclusively to U.S. GSIBs), even though from a systemic risk perspective Category II firms are quite different from the U.S. GSIBs.[15] Similarly, the differences in prudential requirements between Categories III and IV are modest, and largely a function of compliance costs and not stringency of the requirements themselves.

In addition to automatic indexing of dollar thresholds, risk-based indicators and other factors used to determine application of enhanced prudential standards and other important regulatory requirements should be reexamined to ensure they remain fit for purpose and reflect meaningful differences in systemic risk. As noted above, non-U.S. GSIB firms with at least $100 billion in assets are assigned to one of three categories using a threshold of $75 billion for each of four risk-based indicators (other than size): cross-jurisdictional activity, weighted short-term wholesale funding, nonbank assets, and off-balance-sheet exposure; firms are also assigned to Category II if they have $700 billion or more in total consolidated assets and are not U.S. GSIBs. Even assuming the relevant dollar thresholds were indexed appropriately,

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13 *See* Michael Barr, The Next Steps on Capital, Speech at the Brookings Institution, Washington, DC (Sept. 10, 2024), available at https://www.federalreserve.gov/newsevents/speech/barr20240910a.htm (noting that "Going forward, [the reproposal] would also include a mechanism to annually adjust the method 2 coefficients for each of the systemic indicators for the size, interconnectedness, complexity, and cross-jurisdictional activity categories based on U.S. inflation and real economic growth. This mechanism would use a three-year moving average of annual nominal U.S. gross domestic product (GDP) growth to adjust these coefficients on an annual basis.")

14 Sec. 165 of the Dodd-Frank Act, as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act, codified at 12 U.S.C. § 5365(a)(2)(A).

15 Given the pronounced gap in systemic risk scores between Category I institutions and the other categories, enhanced prudential standards for Category II-IV firms should be tailored more appropriately to their lower risk profile relative to U.S. GSIBs, ensuring that regulatory requirements better reflect the substantial differences in the firms' size, complexity, and systemic importance. To be considered a U.S. GSIB (Category I under the tailoring framework), a firm must have a systemic risk score under the Method 1 GSIB surcharge framework of 130 or higher. Using this framework, Category II firms are a long way from the existing U.S. GSIBs in terms of size, complexity, and global reach. The only firm currently assigned to Category II under the existing framework has a GSIB Method 1 score of 68 and those firms currently closest to crossing category thresholds and becoming subject to Category II requirements have Method 1 scores of 47, 34, 25 and 16. Compare these to the cutoff score for identifying U.S. GSIBs of **130** and it is clear that the chasm that divides non-GSIB institutions from those in Category I should be reflected in the application of enhanced prudential standards to those firms; put differently, there should be greater differentiation between the standards applied to Category I firms and firms in the other categories.

certain of these indicators may not be appropriately calibrated to capture only those firms whose risk profile warrants additional prudential regulation. Each risk-based indicator should be reexamined to ensure they reflect meaningful differences in systemic risk for categorizing firms as intended.[16]

While the main category thresholds in the agencies' 2019 tailoring rules prescribe application of prudential regulations, additional nominal thresholds are sometimes applied within a category or within a particular regulation to tailor individual requirements to the varying activities or risk profiles of institutions.[17] Any intra-category thresholds should be reviewed and, if retained, automatically indexed for economic growth and inflation in the same way as the category thresholds. In addition to these intra-category thresholds, in some instances additional thresholds are used within a standalone regulation or requirement that is not based on application of the 2019 prudential tailoring categories (and would therefore not automatically respond to indexing Category thresholds alone).[18] Although we recognize that this is outside the scope of the FDIC's rulemaking, we would encourage interagency coordination to identify similar nominal dollar thresholds within interagency or single-agency regulations[19] that warrant not only a similar approach to automatic indexing, but that also warrant recalibration to ensure they remain fit for their prudential regulatory purpose (scoping in firms appropriately based on their risk profile).

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16 For example, including all cross-jurisdictional liabilities in the definition of cross-jurisdictional activity may capture domestic firms whose cross-jurisdictional activities do not reflect complex cross-border business activities, transactions or relationships, due to the impact of the definitions on a given business model. Similarly, the punitive treatment of U.S. Treasury securities in the weighted short-term wholesale funding indicator overestimates the risk associated with these securities and may contribute to Treasury market illiquidity.

17 Examples within the tailoring categories include the $50 billion threshold within Category IV that determines application of the monthly LCR and NSFR, and the $75 billion threshold within Category III that determines application of a full or reduced daily LCR and NSFR (and, in each case, related liquidity reporting requirements).

18 One example is the definition of "significant trading activity" used for scoping firms into the Global Market Shock (GMS) scenario in the supervisory stress test: the agencies amended the definition in 2017 to capture firms with total trading assets and liabilities equaling $50 billion or more, or representing 10% or greater of total assets. Note that the 2017 amendment made the GMS scoping mechanism more conservative—not less—as prior to the amendments, a firm was scoped in only if its total trading assets and liabilities exceeded $100 billion, a threshold that would be significantly higher in today's environment given economic growth and inflation.

19 For example, regulations such as the Federal Reserve's Regulation O that include dollar thresholds and caps that are not updated on a regular basis to reflect inflation or economic or marketplace developments can result in unintended consequences over time such as excessive and/or unnecessary compliance burdens divorced from the original purpose of the underlying regulation.

The FDIC's proposal to index regulatory thresholds in its own rules is a welcome move towards modernizing the regulatory framework and preserving its risk sensitivity and burden proportionality. The benefits of a one-time catch up followed by regular, systematic indexing are clear: institutions are not inadvertently burdened by requirements they were never meant to face, regulatory objectives are maintained, and the financial system remains efficient and robust. Coordination across federal banking agencies is essential to adopting automatic, fit-for-purpose indexing methodologies and recalibrating threshold definitions and risk measures. We urge the agencies to seize this opportunity and expand reforms to right-size the application of prudential regulatory requirements.

If you have any questions, please contact Sarah Flowers, Senior Vice President and Head of Capital Advocacy, Bank Policy Institute by email at [redacted]

Respectfully submitted,

/s/ Sarah Flowers

Sarah Flowers
Senior Vice President
Head of Capital Advocacy
Bank Policy Institute