



August 27, 2025

Jennifer M. Jones, Deputy Executive Secretary  
Attention: Comments—RIN 3064-AG15  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

RE: Notice of proposed Rulemaking and Request for Comments (RIN 3064-AG15)

Dear Ms. Jones,

We are writing in response to the Federal Deposit Insurance Corporation's request for comments on the proposed rulemaking adjusting and indexing certain regulatory thresholds. Eide Bailly LLP is a public accounting firm with more than 1,000 community financial institution clients across the country. We perform audits for over 100 of the 1,150 insured institutions required to be audited under the current Part 363 requirements. Within the notice of proposed rulemaking, a number of questions were posed to solicit feedback on potential unintended consequences or other matters of interest that should be considered regarding the proposed rulemaking. We believe our industry experience and the significance of our financial institution practice allows us to offer unique insights regarding one of the questions posed.

Question 10 asks commenters to describe any elevated challenges associated with current provisions of Part 363 and whether the proposal would help to address them. One significant challenge that we see, particularly with the smaller community institutions in rural areas, is the requirement that the annual independent audits are required to be completed under more stringent independence standards than is typical for non-public entities. 12 CFR 363.3(f) states: "The independent public accountant must comply with the independence standards and interpretations of the AICPA, the SEC, and the PCAOB. To the extent that any of the rules within any one of these independence standards (AICPA, SEC, and PCAOB) is more or less restrictive than the corresponding rule in the other independence standards, the independent public accountant must comply with the more restrictive rule."

While the AICPA and PCAOB independence standards are very similar, there are a few differences that are very impactful to rural financial institutions subject to Part 363. The SEC and PCAOB standards prohibit the independent auditor from performing several nonaudit services that are allowable under the AICPA standards as long as appropriate safeguards are applied. These services are often needed by rural financial institutions due to talent and capacity restraints, particularly by those institutions in rural areas. The nonaudit services impacted that we see most often are the drafting of the annual financial statements, internal audit, independent loan file review, and the maintenance of depreciation and leasing schedules. In practice, this means a rural financial institution that is required by the FDIC to have an independent audit must either identify an individual within the organization with the knowledge, ability and available time to perform those tasks, hire an additional employee to perform those tasks, or pay a 3<sup>rd</sup> party to perform those tasks for them. Allowing the external audit firm to perform nonaudit

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services with appropriate safeguards implemented would enable the external auditor to gain additional knowledge, assisting with the identification of financial statement risk at the entity, and create efficiencies in the delivery of the audit of the financial statements. This should provide cost savings to financial institutions by limiting internal resources needed and/or the number of 3<sup>rd</sup> parties hired.

In order to remove this unnecessary regulatory burden on rural financial institutions, we recommend updating 12 CFR 363.3(f) as follows:

Independence. The independent public accountant must comply with the independence standards and interpretations of the AICPA, the SEC, and the PCAOB. ~~To the extent that any of the rules within any one of these independence standards (AICPA, SEC, and PCAOB) is more or less restrictive than the corresponding rule in the other independence standards, the independent public accountant must comply with the more restrictive rule.~~

This change would give financial institutions the ability to choose which services to outsource and put them on a level playing field with credit unions and other non-public entities whose external auditors are not required to comply with independence standards intended for public companies. Larger financial institutions with requirements to be audited under PCAOB standards would not be impacted by this change to Part 363 as they would still be required to follow the SEC and PCAOB independence standards.

If the FDIC would like to have more stringent auditor independence standards applied to some non-public financial institutions, another alternative would be to require that the independent public accountant comply with the independence standards and interpretations of the AICPA, the SEC, and the PCAOB for entities required to have an annual assessment of the effectiveness of internal control over financial reporting, or another threshold that the FDIC determines to be appropriate.

We appreciate the FDIC's effort to reduce unnecessary burden on the community financial institutions across the country that have been under increasing regulatory requirements due only to inflation and the passage of time and not a change in their risk profile. These changes should allow smaller financial institutions to devote more time and resources to strengthening their communities rather than dealing with unnecessary regulatory burdens. Thank you very much for your consideration of our comments.

Sincerely,

A black rectangular redaction box covering the signature of the sender.

Eide Bailly LLP