

From: [Jesse R. Smail](#)
To: [Comments](#)
Subject: [EXTERNAL MESSAGE] RIN 3064-AG15
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Attachments: [Outlook-x2cjuoc.png](#)

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

Dear Ms. Jones,

I am writing in support of the FDIC's proposed rule to raise the asset thresholds under Part 363 of its regulations from \$500 million to \$1 billion for annual independent audits, and from \$1 billion to \$5 billion for internal control over financial reporting. These changes are long overdue and represent a thoughtful modernization of regulatory requirements that have remained static for decades despite significant inflation and industry consolidation.

My name is Jesse Smail and I am the Chief Risk Officer for First Option Bank. Our main office is located in Osawatomie, Kansas, which is about 50 miles south of Kansas City. Currently, we manage approximately \$740 million in assets, serving a significant portion of Miami, Linn, Doniphan, Johnson, and Brown counties in Kansas, as well as St. Joseph, Missouri. Our bank prides ourselves on giving back to the community through service and donations. We have a program where a percentage of debit card interchange income is given to the schools each year. In total the program has given out just over \$ 2.5 million since its inception in 2007. This is a major benefit for our local schools with about half being in LMI tracts or title one schools.

As I stated previously, I'm strongly in support of this proposal and encourage the FDIC to issue a final rule quickly so that banks like us can receive some relief from the regulatory burden and cost posed by Part 363's thresholds.

For banks approaching or crossing the current thresholds, the financial and operational burden to meet these requirements are substantial. Institutions newly subject to FDICIA Part 363 requirement often incur \$75,000 to \$125,000 annually in additional audit and compliance cost. These expenses include external auditor's fees, outsources financial statement preparation cost and expanded

governance structures, all of which are cost that are disproportionately high for smaller institutions and offer minimal benefit to regulators. The FDIC estimates that the proposed changes could relieve up to 1,400 banks, or 28% of all FDIC-insured institutions, from these costly requirements. This relief would be especially impactful for community banks which operate in rural or underserved census areas and often face challenges in recruiting a qualified audit committee.

The original intent of FDICIA was to apply enhanced oversight to institutions posing greater risk to the Deposit Insurance Fund. However, due to inflation and asset growth across the industry, many banks now fall within the scope of Part 363 despite having relatively simple operations and low risk profiles. The proposed thresholds would restore proportionality, ensuring that regulatory requirements are aligned with institutional complexity and systemic risk. Importantly, even considering these proposed increases, the FDIC notes that approximately 90% of industry assets would remain under the purview of this rule, preserving oversight where it matters most.

The proposal's inclusion of an inflation-based indexing methodology is a prudent step toward long term regulatory stability. By reviewing thresholds every two years or more frequently if inflation exceeds 8%, the FDIC can avoid the slow regulatory drift that has historically expanded compliance burdens without corresponding changes in risk.

In conclusion, I believe raising the FDICIA thresholds to \$1 billion and \$5 billion is a necessary and well reasoned adjustment that will reduce unnecessary burden, preserve regulatory intent, and enhance proportionality in oversight. I strongly support the proposed rule and encourage its swift adoption. I would like to thank you for your current efforts to modernize these outdated thresholds and allowing community banks affected the opportunity to submit comments on the proposal.

Sincerely,

Jesse Smail
Chief Risk Officer, CPA

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