

September 26, 2025

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

*Re: Notice of Proposed Rulemaking - Adjusting and Indexing Certain Regulatory Thresholds (RIN 3064-AG15)*

Dear Ms. Jones,

The Independent Community Bankers of America (ICBA)<sup>1</sup> appreciates the opportunity to express support for the FDIC's recent proposal entitled *Adjusting and Indexing Certain Regulatory Thresholds* (proposal).<sup>2</sup> ICBA has long recommended that the FDIC review and adjust the thresholds in its regulations, including in its recent letter outlining deregulatory recommendations.<sup>3</sup> This is a positive development, and ICBA encourages the FDIC to take further steps to right-size regulation. Ensuring that supervision and regulation are appropriately tiered allows community banks to thrive and meet their customers' banking and credit needs while maintaining the safety and soundness of the banking system.

ICBA is particularly supportive of the proposal to adjust and index the audit and reporting requirement thresholds found at Part 363 of the FDIC's rules and regulations, a much needed reform that ICBA has urged the agency to adopt.<sup>4</sup> However, the threshold for the auditor attestation and reporting regarding internal controls over financial reporting (ICFR) requirement should be raised to \$10 billion in total assets to more appropriately balance the benefits of the

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<sup>1</sup> The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at [icba.org](https://www.icba.org).

<sup>2</sup> 90 Fed. Reg. 35449 (July 28, 2025).

<sup>3</sup> See, e.g., Letter from ICBA to Director Vought, Office of Management and Budget (May 12, 2025), [https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/icba-omb-deregulation-rfi-exec-summary-with-appendices-5.12.25.pdf?sfvrsn=c97be317\\_1](https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/icba-omb-deregulation-rfi-exec-summary-with-appendices-5.12.25.pdf?sfvrsn=c97be317_1).

<sup>4</sup> *Id.* See also Letter from ICBA to Chairman McWilliams, FDIC (Sept. 27, 2021), <https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/letter-on-fdicia-thresholds>.

requirement with the significant burden it places on community banks that pose a low risk to the banking system.

**Adjustments to Part 363's thresholds are within the FDIC's discretion and long overdue.**

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) added section 36 to the Federal Deposit Insurance Act and imposed audit and reporting requirements on banks.<sup>5</sup> When Congress passed FDICIA, it expressly exempted small institutions from these expensive annual audit and reporting requirements and provided the FDIC with the discretion to increase the exemption threshold as needed over time.<sup>6</sup>

Over three decades ago, the FDIC set the threshold for FDICIA reporting requirements at \$500 million. In 2005, the FDIC adjusted some of the thresholds for the FDICIA reporting requirements, located at Part 363 of the agency's rules and regulations. As a result, insured depository institutions (IDIs) that cross the threshold of \$500 million in total assets become subject to Part 363's general audit and reporting requirements, while crossing \$1 billion and \$3 billion in total assets triggers additional requirements. As time has passed without appropriate upward adjustments, the current Part 363 asset thresholds apply to more of the banking sector than ever before:

- In 1992, institutions above Part 363's \$500 million applicability threshold represented roughly 7 percent of IDIs in the US and held approximately 75 percent of the banking system's assets.
- As of June 2025, IDIs above the \$500 million threshold make up 40 percent of banks and hold almost 98 percent of assets in the banking system.

As a result, these thresholds now capture many institutions that were never intended to be subject to such requirements. Consolidation in the banking sector and rising inflation have resulted in community banks crossing these thresholds while maintaining relatively straightforward business models and posing minimal risk to the financial system.

The artificially low thresholds impose an undue burden on community banks in the form of compliance costs, employee time, and demands on bank resources. ICBA members have found that the costs of complying with Part 363 can exceed \$100,000 annually, a figure that has grown each year and is expected to continue rising. This is a significant burden for community banks, and the savings from this much needed regulatory reform would be put to better use expanding credit availability in communities across America without negatively impacting the stability of the

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<sup>5</sup> Pub. L. 102-242, title I, §112(a) (Dec. 19, 1991).

<sup>6</sup> Section 112 of FDICIA added section 36(j) to the FDI Act, which expressly codified an "exemption for small depository institutions." 12 U.S.C. § 1831m(j). By creating an exemption for small depository institutions, Congress unambiguously expressed a legislative intent that the FDICIA audit and reporting requirements do not apply to small banks. Section 112 of the FDICIA grants authority to the FDIC to prescribe by regulation the asset threshold by which a small depository institution may be defined, thus providing the FDIC the flexibility to appropriately respond to industry changes by periodically updating the asset thresholds for small depository institutions.

banking system. For these reasons, ICBA supports the FDIC's proposal to increase Part 363's asset thresholds.

**ICFR attestation and reporting threshold should be set to \$10 billion in total assets.**

The FDIC proposes raising the threshold for requiring an auditor's attestation and report regarding effectiveness of internal controls over financial reporting from \$1 billion to \$5 billion. This is a step in the right direction, but ICBA believes that \$10 billion in total assets would be a more appropriate threshold for this requirement.

The proposed \$5 billion threshold, while an improvement over the status quo, would still impose a disproportionate burden on impacted community banks. Banks between \$5 billion and \$10 billion lack the complexity of larger institutions, typically falling within the FDIC's definition of community banks and operating community-focused business models. Subjecting banks under \$10 billion to ICFR requirements imposes costs that are not proportionate to their risk profile and is not in keeping with FDICIA's purpose of addressing risk at the largest institutions.

Adjusting the threshold to \$10 billion would more closely align with historical coverage of banking industry assets and efforts to appropriately capture institutions that pose the most significant risks to the banking system. A \$10 billion threshold would include institutions holding about 85 percent assets in the banking sector. This would result in almost identical coverage as the 2005 threshold adjustment that increased the ICFR threshold to \$1 billion, applying the requirement to IDIs holding approximately 86 percent of banking industry assets.<sup>7</sup>

For these reasons, ICBA recommends that the FDIC raise the ICFR threshold to \$10 billion in total assets when finalizing the proposal.

**The FDIC should ensure Part 363 thresholds are appropriately indexed and regularly adjusted, while keeping compliance requirement thresholds predictable.**

ICBA is very supportive of indexing for regulatory thresholds, and such adjustments should be carried out on an automatic basis to ensure that thresholds remain appropriately tailored in light of developments in the economic and industry landscape. This is particularly important for expensive compliance provisions such as Part 363's audit and reporting requirements that were never intended to apply to smaller IDIs.

The FDIC's proposal states that "initial updates would become effective, consistent with applicable law, at the beginning of the first calendar quarter following adoption of the final rule." Given the variation in fiscal year end dates and reporting cycles across the industry, ICBA

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<sup>7</sup> 70 Fed. Reg. 44293, 44294 (Aug. 2, 2005), <https://www.govinfo.gov/content/pkg/FR-2005-08-02/pdf/05-15109.pdf> ("If the FDIC were to raise the size threshold for internal control assessments to \$1 billion, about 600 of the largest insured institutions with approximately 86 percent of industry assets would continue to be covered by the internal control reporting requirements of part 363.")

recommends that the FDIC make this regulatory relief available to impacted IDIs immediately upon finalizing this rule. This would allow community banks to redirect their resources to better serve their communities, rather than requiring some covered IDIs to expend resources satisfying soon to be inapplicable requirements due to where their fiscal year falls in relation to the rule's effective date. A final rule implementing the proposal would likely not be considered a major rule for the purposes of the Congressional Review Act, so there should be no legal cause to delay its effective date.<sup>8</sup>

Finally, the FDIC should consider making future adjustments in predictable increments. The use of milestones for increases, such as every \$10 million in assets, would ensure a degree of materiality, support transparency, and provide regulatory certainty. These are crucial considerations that give community banks the ability to plan for future compliance burdens by anticipating when they are approaching thresholds that trigger new, expensive regulatory requirements.

## **Conclusion**

Thank you for the opportunity to comment on the proposal. ICBA is particularly supportive of the proposal to raise and index outdated Part 363 thresholds. However, ICBA recommends that when finalizing the proposal the FDIC raise the ICFR threshold to \$10 billion in total assets to prevent community banks from prematurely becoming subject to expensive compliance burdens that are intended to apply to large IDIs that pose significant risks to the financial system.

ICBA appreciates the FDIC's efforts to modernize regulatory requirements and encourages the agency to continue efforts to identify and update outdated and unduly burdensome thresholds, both on its own and in collaboration with the other banking regulators. ICBA and community bankers welcome the opportunity for further engagement with FDIC staff and leadership in this critical effort.

Should you wish to discuss our positions in further detail, please contact the undersigned at amy.ledig@icba.org.

Sincerely,

/s/

Amy Ledig  
Vice President, Capital, Accounting & Finance Policy  
Independent Community Bankers of America

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<sup>8</sup> See 5 U.S.C. § 801(a)(3). A major rule is one that results in "an annual effect on the economy of \$100,000,000 or more; a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions; or significant adverse effects on competition, employment, investment, productivity, innovation..." 5 U.S.C. 804(2).