



FDIC finalizes rule to adjust and index Part 363 and other regulatory thresholds

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FDIC finalizes rule to adjust certain thresholds to determine applicability of regulatory requirements

On November 25, 2025, the Federal Deposit Insurance Corporation (FDIC) Board of Directors approved a **final rulemaking to update and index certain thresholds in the FDIC's regulations that determine the applicability of various regulatory requirements**, including those set forth in 12 CFR Part 363 related to annual independent audit and reporting requirements.¹

The final rule updates these thresholds to reflect inflation since their initial implementation or most recent adjustment and provides for future adjustments based on inflation. Specifically, the changes are intended to preserve, in real terms, the level of certain regulatory thresholds, thereby avoiding the unintended outcome where the scope of regulatory requirements changes solely due to inflation rather than actual changes in an institution's size, risk profile, or complexity.

Specific threshold changes

The final rule updates the following thresholds in the FDIC's regulations and **adjusts most of those thresholds in the future every consecutive two-year period** based on the cumulative percent change of the non-seasonally adjusted Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) index.

- **12 CFR Part 303:** Adjustments to de minimis thresholds for certain offenses under Section 19 of the Federal Deposit Insurance Act (FDIA).
- **12 CFR Part 335:** Increase in the materiality threshold for disclosures related to extensions of credit to insiders.
- **12 CFR Part 340:** Increase in the threshold for defining "substantial loss" in the context of restrictions on the sale of failed bank assets.
- **12 CFR Part 347:** Increase in thresholds for aggregate underwriting commitments and equity securities held for distribution or dealing by foreign organizations.
- **12 CFR Part 363:** Increase in thresholds for general applicability, internal control over financial reporting (ICFR) requirements, and audit committee composition.
- **12 CFR Part 380:** Increase in the threshold for defining "substantial loss" in the context of restrictions on the sale of failed financial company assets.

The final rule provides for an effective date of January 1, 2026, and an effective date of October 1 for future threshold adjustments years (e.g., 2027, 2029, etc.). For insured depository institutions (IDIs) that will not be subject to part 363 requirements under the updated thresholds, such institutions need no longer comply with the previous applicable part 363 requirements.

Key facts

- The final rule is the first in a multi-phase effort, noted by the FDIC in its original proposal, intended to reevaluate other static dollar thresholds in subsequent rulemakings, potentially in coordination with other federal banking agencies.
- The most substantial effects of the final rule are associated with part 363, more than 1,600 banks are expected to see reduced compliance obligations relating to independent audit and reporting requirements.
- Affected institutions should evaluate how the final rule may impact their compliance and operational processes but remain thoughtful on any changes to governance practices.
- Even in a deregulatory environment, investment in regulatory change management capabilities continues to be a key differentiator for financial institutions.

Highlights of the proposal

Effective date. The final rule will become effective January 1, 2026.

Two-year indexing cadence. Thresholds will be adjusted every two years, beginning in 2027, based on cumulative percentage change of non-seasonally adjusted CPI-W index.

8% inflation trigger. If cumulative non-seasonally adjusted CPI-W is greater than 8% in any intervening year since final rulemaking, thresholds will be recalibrated.

Deflation will not be incorporated. Thresholds will not be lowered to adjust for deflation in any given year.

Rounding. Thresholds will be rounded to the nearest number with two significant digits (thousands, million, billion, etc.) based on the size of threshold.

Future indexing dates. Future adjustments will take effect on October 1, to align with the fiscal years of the majority of banks, based on data through August of the year in which the adjustment is made.

Direct publication of future changes. FDIC will implement future indexing changes through direct final rules published in the *Federal Register*, without further notice-and-comment periods.

Overview of the final changes

FDIC Regulation	Section	Threshold as of Jan. 1, 2025	Threshold Particulars	Previous estimated number of covered entities	Updated threshold	Updated number of covered entities	Change in number of covered entities*
Part 303 – Filing Procedures	303.227(a)(2) & (b)(3)(i)	\$2,500 / \$1,000	De minimis thresholds for offenses which are excluded from the scope of Section 19	5	\$3,500 / \$1,225	4 / 3	-1 / -2
Part 335 – Securities of Nonmember Banks and State Savings Associations	335.801(d)	>10% of the equity capital accounts or \$5 million	Limit to disclose extensions of credit to insiders	9	>10% of the equity capital accounts or \$10 million	9	0
Part 340 - Restrictions on Sale of Assets of a Failed Institution by the FDIC	340.2(h)	\$50,000	Substantial loss threshold, used to determine if individuals or entities are eligible to purchase assets of a failed institution	140	\$100,000	280	140
Part 347 – International Banking	347.111(a)(1)	\$60 million; 25% of a bank's Tier 1 capital	Dollar limits in subpart A of 12 CFR part 347 on aggregate underwriting commitments	5	\$120 million	5	0
	347.111(b)(1)	\$30 million; 5% of a bank's Tier 1 capital	Dollar limits in subpart A of 12 CFR part 347 on equity securities held for distribution or dealing	5	\$60 million	5	0
Part 363 – Annual Independent Audits and Reporting Requirements	363.1(a)	\$500 million or more	Asset size threshold of applicability to conduct annual audits	1,802	\$1 billion or more	1,024	-778
	363.2(b)(3)	\$1 billion or more	ICFR asset threshold	1,024	\$5 billion or more	297	-727
	363.3(b)	\$1 billion or more		1,024	\$5 billion or more	297	-727
	363.5(a)(2)	\$500 million or more but less than \$1 billion	Asset size thresholds related to audit committee composition requirements	778	\$1 billion or more but less than \$5 billion	727	-51
	363.5(a)(1)	\$1 billion or more		1,024	\$5 billion or more	297	-727
	363.5(b)	More than \$3 billion		420	More than \$5 billion	297	-123
	Guideline 28(b)(4)	\$100,000	Compensation for Independent Directors	1,802	\$120,000	1,802	0
Part 380 - Restrictions on Sale of Assets of a Failed Financial Company by the FDIC	380.13(b)(6)	\$50,000	Substantial loss threshold; determines material participation in a transaction that caused substantial loss to a covered financial company and subsequently restricts acquiring any of its assets	66	\$100,000	132	66

* In the final column (Change in number of covered entities), positive values represent an increase in the number of covered entities attributable to the proposed thresholds and negative values represent a decrease in the number of covered entities

Economic impact

The final rule is expected to reduce compliance costs for many institutions, particularly smaller and mid-sized banks.

By raising the relevant regulatory thresholds, a sizable number of institutions are expected to move out of scope for certain audit, reporting, and governance requirements. The FDIC estimates that these changes will result in cost savings for affected banks, as fewer resources will need to be devoted to meeting regulatory obligations that were originally intended for larger or more complex organizations.

The FDIC notes the most substantial cost effects of the final rule are associated with part 363, where the updated thresholds are expected to significantly reduce the number of banks subject of independent audit and reporting requirements. The FDIC estimates approximately (i) 778 IDIs with assets between \$500 million and \$1 billion, (ii) 727 IDIs with assets between \$1 billion and \$5 billion, and (iii) 123 IDIs with assets between \$3 billion to \$5 billion would see reduced compliance obligations.

The FDIC does not expect the rule to result in any significant increase in risk to the financial system. The largest and most complex institutions will remain subject to the most stringent requirements, providing for continued regulatory oversight on those entities with the greatest potential impact on the Deposit Insurance Fund and broader financial stability. By aligning thresholds with current economic conditions, the final rule aims to maintain effective supervision while minimizing unnecessary regulatory requirements. The FDIC anticipates that the benefits of reduced administrative complexity and increased operational flexibility will outweigh any marginal impact on risk.

Considerations for banking organizations

Continue to be thoughtful of governance practices. While the final rule reduces regulatory requirements for some banks, institutions that are no longer subject to certain requirements should still approach these changes thoughtfully. For example, while the increased thresholds may relieve some institutions of part 363 independent audit requirements, banks of all sizes should recognize that robust governance serves not only as a regulatory obligation, but as a fundamental pillar of institutional health and stakeholder confidence.

Banking organizations should carefully assess how the updated threshold changes may alter their obligations and operational processes. For institutions that will move out of scope for certain audit, reporting, or governance requirements, this presents an opportunity to thoughtfully reallocate resources previously dedicated to compliance or reporting obligations. These organizations should evaluate how best to use potential savings (e.g., whether to support business growth, invest in technology, or enhance customer service), while providing that foundational risk management and governance practices remain robust.

Organizations should review their internal processes for tracking regulatory thresholds and ensure that systems are updated to accommodate the new indexing methodology.

The final rule implements future FDIC thresholds updates will take effect on October 1 of the adjustment year. The move to automatic, inflation-based adjustments means that thresholds will change on a predictable schedule, and banks will need to maintain accurate, up-to-date compliance monitoring tools. This may require enhancements to compliance management systems, staff training, and the establishment of clear internal controls to ensure ongoing adherence as thresholds evolve over time. Banks may incur some short-term costs as they adjust internal systems, policies, and procedures in response to the updated thresholds.

Regulatory change management continues to be key for institutions of all sizes. It is important to recognize that the FDIC indicated in its original proposal that this rulemaking is part of a multi-phased approach and further changes may be forthcoming as part of ongoing coordination with other federal agencies. As a result, banking organizations, especially larger or more complex institutions, should remain vigilant regarding potential future adjustments to regulatory thresholds, including those related to Enhanced Prudential Standards (EPS)² or other requirements that may be harmonized across agencies. Proactive monitoring of regulatory developments and scenario planning can help institutions anticipate and respond to evolving compliance expectations.

Endnotes

1. Federal Deposit Insurance Corporation (FDIC), "[Adjusting and Indexing Certain Regulatory Thresholds](#)," November 25, 2025.
2. 12 CFR Part 252 (Regulation YY).

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