Indexing Regulatory Thresholds

Tyler Mondres | tmondres@aba.com | 202-663-5353 September 2026

Issue Update

For decades, many regulatory thresholds have stayed fixed in nominal terms, even as the economy has grown. These thresholds were typically set during very different economic conditions and have not been updated to reflect changes in the banking sector. As a result, thresholds that once reflected meaningful distinctions in size, complexity, or risk now capture institutions that were never intended to be subject to more burdensome requirements.

For example, annual audit reporting requirements established by the Federal Reserve kick in when a bank holding company's assets reach $500 million. When this threshold was set in 1995, the more stringent requirement applied to only 9 percent of bank holding companies. Today, it applies to 45 percent. Dozens of thresholds, from stress testing to resolution planning, have drifted the same way.

Why It Matters

This regulatory "drift" creates three problems:

1. **Burdens institutions never meant to be captured.**
   Over time, economic growth and inflation erode the real value of thresholds, pulling more institutions into regulatory regimes that were never intended to apply to them. Banks with limited complexity or risk profiles may be forced to shoulder costs and reporting burdens designed for much larger entities.

2. **Discourages organic growth.**
   Institutions manage their balance sheets defensively to avoid crossing arbitrary thresholds. This distortion can discourage organic growth and instead encourage consolidation as the only viable means to absorb new regulatory burdens.

3. **Dilutes regulatory resources.**
   An expanding pool of covered banks beyond the intended scope dilutes regulatory efforts and the ability of agencies to focus on the largest sources of risk. These outcomes run counter to the policy objectives Congress and regulators have set.

Recommended Action Items

The solution is indexing. ABA recommends, ***after a one-time adjustment to correct for past inaction***, ***linking asset-based thresholds to nominal GDP***, which reflects the size of the economy and the scale of the banking sector. Indexing is a low-cost, high-impact reform that improves transparency, reduces arbitrary burdens, and allows regulators to focus on where the risk really is.

Momentum for indexing is growing. The federal banking agencies have proposed indexing key thresholds in several major rulemakings and the House passed a bipartisan package that would review and update numerous asset thresholds. Policymakers should conduct a comprehensive review of outdated thresholds, update and index those that no longer reflect their original policy purpose, and embed indexing into future rulemakings and legislation.

American Bankers Association