

Regulatory Alert

Regulatory Insights for Financial Services

January 2026

OCC Heightened Standards: Proposed Amendments

KPMG Regulatory Insights:

- **Tailoring:** Another proposal in the ongoing efforts to tailor regulations and guidelines based on entity size, complexity, and risk profile.
- **Threshold Changes:** An increase in the average total consolidated assets threshold from \$50 billion to \$700 billion expected to decrease the number of covered banks from 38 to 8.
- **Impact:** The OCC expects currently covered institutions that would be excluded under the proposal to maintain robust risk management and compliance programs and suggests these banks would be free to develop new ways to effectively and efficiently manage risk including the use of innovative technologies and techniques.
- **Potential for Additional Changes:** Questions for comment highlight potential additional changes to the Guidelines that may impact the remaining covered banks and/or those excluded under the proposal.

The Office of the Comptroller of the Currency (OCC) has issued a proposal that would amend its guidelines relating to heightened standards (Guidelines) for insured national banks, insured federal savings associations, and insured federal branches (collectively “covered banks”).

Key aspects of the proposal include:

- An increase in the applicable average total consolidated asset threshold from \$50 billion to \$700 billion
- Clarifying changes to the compliance date provisions
- Multiple questions related to potential additional changes to the Guidelines

This proposal reflects the OCC’s ongoing efforts to tailor its regulation, reduce “unnecessary regulatory burden,” and focus on institutions whose “size, complexity, and risk profile pose the greatest risk to the banking system.”

The OCC invites comments on the proposal on or before March 2, 2026.

Applicable Threshold. The OCC proposes to increase the average total consolidated assets threshold for applying the Guidelines from \$50 billion to \$700 billion.

Consistent with the threshold change, the proposal would modify the definition of a “covered bank” to mean any insured national bank, insured federal savings association, or insured Federal branch of a foreign bank that has an:

- Average total consolidated assets equal to or greater than \$700 billion
- Average total consolidated assets equal to less than \$700 billion if that bank’s parent company controls at least one covered bank
- Average total consolidated assets equal to less than \$700 billion if the OCC determines such bank’s operations are highly complex or otherwise present a heightened risk.

Note: The OCC expects the proposed asset threshold change to result in a decreased number of covered banks from 38 to 8 institutions.

Compliance Date. The proposal would clarify the compliance date provisions under the Guidelines, including:

- A covered bank with average total consolidated assets equal to or greater than \$700 billion as of the effective date should continue to be in compliance with the

Guidelines on the effective date. (Note: the effective date is not defined in the proposal.)

- A covered bank with average total consolidated assets less than \$700 billion that is a covered bank because its parent company controls at least one other covered bank as of or subsequent to the effective date should be in compliance with the Guidelines on the same date as the other covered bank.
- A covered bank that becomes subject to the Guidelines after the effective date because its average total consolidated assets subsequently equal or exceed \$700 billion should comply with the Guidelines within eighteen months, consistent with the current Guidelines.
- A banking organization with average total consolidated assets equal to or greater than \$50 billion but less than \$700 billion as of the effective date is not a covered bank, provided it does not meet the definition of a covered bank as set forth in the Guidelines, and is no longer required to comply with the Guidelines on the effective date.

Questions Re: Potential Revisions. The OCC invites comments on all aspects of the proposal, including a variety of specific questions including:

- How can the Guidelines be improved for the safety and soundness of "covered banks" under the proposal? Are there aspects of the Guidelines that should be removed or revised to reduce regulatory burden? Should the Guidelines focus on applicable policies and remove references to procedures and processes?
- Should aspects of the Guidelines continue to apply to the institutions that would no longer be covered by the rule? If so, which? Should the application be tailored by size?
- Are there duplicative provisions between the Guidelines and the Federal Reserve Board's Enhanced Prudential Standards? Should the Guidelines be rescinded or reissued as supervisory guidance?
- Should the OCC increase the Guidelines' average total consolidated assets threshold to \$700 billion? If so, why, and if not, why not? Should the OCC consider a threshold at an amount different than \$700 billion? If so, what should the new threshold be and why? For example, should it be \$500 billion instead of \$700 billion?
- Should there be a provision that allows for the average total consolidated assets threshold to be adjusted to reflect inflation, growth in gross domestic product, or some other metric?

- Should factors beyond a banking organization's average total consolidated assets define a "covered bank"? If so, which?
- Should any roles and responsibilities for front line units, independent risk management, or internal audit be removed or adjusted? Are the definitions of "front line unit," "independent risk management," and "internal audit" appropriate?
- Should the Guidelines be revised to clarify that the board may rely on risk assessments and reports prepared by front line units, in addition to independent risk management and internal audit? Should the OCC increase or decrease the number of independent board directors set forth in the Guidelines or remove the standard?

Heightened Standards. The Heightened Standards establish standards for the design and implementation of a bank's risk governance framework to manage and control the bank's risk-taking activities, as well as standards for the bank's board of directors to provide oversight of that design and implementation. The expectations, which are extensive, matter today more than ever.

Standards for a Risk Governance Framework, including such areas as:

- Roles and responsibilities for front line units, risk management, and internal audit
- Risk data aggregation and reporting
- Relationship of risk appetite statement, concentration risk limits, and front-line unit risk limits to other processes
- Talent management processes
- Compensation and performance management programs

Standards for the Board of Directors, including such areas as:

- Require an effective risk governance framework
- Provide active oversight of management
- Exercise independent judgment
- Self-assessments

Source: 12 CFR 30, Appendix D

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