

Michelle W Bowman: Welcome remarks - 2025 Community Banking Research Conference

Welcome remarks (via pre-recorded video) by Ms Michelle W Bowman, Vice Chair for Supervision of the Board of Governors of the Federal Reserve System, at the 2025 Community Banking Research Conference, St. Louis, Missouri, 7 October 2025.

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Welcome to the 2025 community banking research conference.¹ While I regret that I cannot join you in person this year, I would like to take a moment to acknowledge the contributions this conference has made and continues to make in promoting research on community banking and related issues.

Since 2013, this conference has synthesized insights and perspectives from research and regulatory and banking communities with a single goal: deepening our understanding of the community bank business model in order to better inform future policy decisions.

We share this goal, and the sponsorship of this event with the Conference of State Bank Supervisors (CSBS) and the Federal Deposit Insurance Corporation (FDIC). We are proud of this ongoing partnership with CSBS and FDIC and the effort to further actionable bank industry research.

As the former Kansas state bank commissioner and a community banker, I very much appreciate the goals of this conference. And again this year, the organizers have included valuable research and created a conference program that includes a wide range of perspectives that create an opportunity for discussion and debate.

Ensuring the future and viability of the community banking industry continues to be a top priority, especially as the President appointed me to serve as the Vice Chair for Supervision of the Federal Reserve Board.

This position, which was created under the Dodd-Frank Act in 2010, requires the Vice Chair to "develop policy recommendations for the Board regarding supervision and regulation of depository institution holding companies and other financial firms supervised by the Board" and to also "oversee the supervision and regulation" of these firms.

It is an honor and an absolute privilege to be entrusted with these important responsibilities, and I look forward to working with all of our stakeholders in the financial industry to modernize supervision and regulation that allows for continued economic growth and innovation in the banking system and that enhances the critical role of community banks.

Community banks are the cornerstone of local economies, providing credit to local customers and businesses with few alternatives for accessing financial services. The

community bank relationship model requires just that relationship. Direct knowledge of and a connection with the community, which makes this banking model truly unique and even more valuable.

But this model continues to face challenges-challenges that I am confident this conference will explore in greater detail that will help us to inform future policy developments.

When I spoke at this conference last year, I described a framework for community banking regulation for the future.

In those remarks, I discussed the necessary building blocks for building an effective framework, which include

- reviewing, reconsidering, and indexing the asset size thresholds that are used throughout our current supervisory and regulatory framework;
- gaining a better understanding of the tradeoffs of regulation;
- identifying the hidden costs of supervision and supervisory guidance;
- streamlining the mergers and acquisitions review and approval process; and
- identifying ways to promote new bank formation.

Since that time, the Federal Reserve has already launched several initiatives to advance these goals, but there's more work ahead.

We are refocusing supervisory efforts on core material financial risks, reviewing the CAMELS ratings framework, revising the community bank leverage ratio, and considering ways to improve the treatment of mutual banks. We are also prioritizing work to assist in the fight against fraud.

In the coming years, this conference will be an important mechanism for continuing to explore challenges facing the banking industry, and especially community banks. And with the work we are undertaking, we will continue to prioritize changes to the community bank regulatory and supervisory framework that will allow community banks to continue to thrive.

Over the years, this conference has highlighted the important role community banks play in our economy, the impacts of regulation on our banks, the disproportionate cost burden from regulation on our nation's smallest banks, and the importance of having a strong diversified network of community banks. It is critical that our regulatory and supervisory framework continues to support a network of these banks across and throughout the country so that they are positioned to support the economy and to meet the credit needs of their communities.

As I work with staff across the Federal Reserve to enhance the Fed's supervision of banks, I'm reminded how the research presented at this conference over the years, along with the findings from the CSBS annual survey of community banks, has consistently demonstrated the need for regulatory tailoring. This has given us a better perspective to understand and measure the cost of compliance.

In short, this conference truly matters.

Each year, the research presented here moves us forward; improves our understanding; and, combined with other insights from key stakeholders and our own experiences, enables us to make better regulatory and supervisory decisions.

From the first year of the conference in 2013, we've seen a number of changes in the banking and financial systems, in our economy, and in our supervisory and regulatory structures. The research presented here each year has evolved with these changes and has delivered critical and timely insights.

I'm so pleased that this conference has not strayed from its original mission and continues to provide a forum for the discussion of thoughtful, timely research into our country's unique community banking business model.

Community banks are vital to the U.S. economy and to the thousands of smaller local economies they serve across the country. It's important that we continue to study and understand the important role they play.

This conference helps to increase this understanding.

In addition to presenting thoughtful research, it provides an opportunity for open dialogue between community bankers, academics, regulators, and policymakers.

In these ever-changing times, the unique combination of research presented in combination with real-world perspectives provides insights that help to ensure that the community banking model endures well into the future.

This conference is just one aspect of the Federal Reserve System's engagement on issues affecting community banks. Outreach to banks of all sizes, including community banks, has been a top priority for my work because your voices must be a part of the conversation in Washington. In a few days, the Board will host a Community Bank Conference in D.C., bringing together bankers, industry experts, and other stakeholders to discuss and identify the most relevant issues facing the industry.

This event will be live-streamed on the Board's website and will include several unique and exciting speakers and panelists, covering a number of current issues.

Thank you for your continued interest and engagement in supporting this conference.

¹ The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.