Michelle W Bowman: Opening remarks - Economic Growth and Regulatory Paperwork Reduction Act Outreach meeting

Opening remarks by Ms Michelle W Bowman, Vice Chair for Supervision of the Board of Governors of the Federal Reserve System, at the Economic Growth and Regulatory Paperwork Reduction Act Outreach Meeting, Federal Reserve Bank of Kansas City, Kansas City, Missouri, 30 October 2025.

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Good morning and welcome to the third public outreach meeting hosted by the federal banking agencies related to the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA).[1] The bank regulatory system has grown extensively in recent years and has become overly complicated with often conflicting and overlapping requirements. The growth of these requirements has imposed unnecessary and significant costs on banks and their customers. I have spoken about my principles for supervision and regulation, which will continue to guide my approach to supervision and the bank regulatory framework. At the core of these principles is pragmatism, which focuses on first identifying the problem each new and existing regulation intends to solve and then reviewing and updating regulations as industries and conditions change. Once we have identified a need for reform, or a problem to be solved, our next task is to conduct a careful analysis of the intended and unintended consequences of any proposed policy solution and to consider alternative approaches that lead to lower costs or better outcomes.

The EGRPRA process is the opportunity to do just this-take a step back and review our frameworks with fresh eyes to eliminate unnecessary and outdated regulations and reduce burden. The bank regulatory framework must strike a balance between encouraging economic growth and innovation while guaranteeing the safety, soundness, and stability of the banking system.

One of the primary goals of the EGRPRA process is to maintain the regulatory framework to ensure it continues to be fit for purpose. As I've noted previously, system maintenance is something we should embrace. When regulators establish rules and guidance, they devote significant time, resources, and analysis to evaluate the costs and benefits of new proposals. However, insufficient focus is given to updating and refining these frameworks. Ideally, regulators should be adapting the regulatory structure to ensure the existing plumbing continues to work, considering how different regulations interact with each other, reflecting changes in the evolving financial landscape, or accommodating innovations such as new financial products, services, or market participants. So, our work to maintain an effective bank regulatory framework is never really complete. If regulators do not consistently reassess what is already in place, it can prevent us from meeting our statutory obligation to promote a safe and sound banking system that enables banks to serve their customers effectively and efficiently.

Over time, some of our regulations have unduly restrained the activities that banks can engage in, incentivizing banks to limit those activities and pushing those functions outside of the banking system. We need to ask whether this is appropriate. Similarly, the buildup of complexity in our regulatory system is also felt most acutely by community banks. When our regulatory system is not appropriately tailored to the size, risk, complexity, and business model of the institutions we supervise and regulate, we impede the effectiveness of their operations. This can result in preventing banks from providing competitive products and services, innovating, and engaging in appropriate risk-taking. Incorporating graduated requirements avoids disproportionately burdening smaller institutions.

The current EGRPRA review is the third time the agencies have undertaken a comprehensive review of the bank regulatory system. The two prior reviews were underwhelming, resulting in no reduction in regulatory burden. This is an unacceptable outcome. We must take this process seriously, and through it, actually identify opportunities for change that will have lasting impact. We are implementing the current process to provide meaningful engagement for stakeholders to identify regulatory changes that result in less complexity, lower compliance costs, and increased efficiency while also maintaining safety and soundness.

As part of the current review, the agencies have issued four Federal Register notices and held two virtual outreach meetings. We have received comments from many stakeholders including banks, trade groups, and community organizations. This broad range of commenters demonstrates the important role of the banking system in the lives of all Americans. We must strike the right balance and be responsive to public comments and through outreach meetings like this meeting today.

A significant portion of the comments received so far highlight areas of regulation that I have targeted for revisiting. Many of the Board's regulations have not been comprehensively reviewed or updated in more than 20 years. Given the dynamic nature of the banking system and how the economy and banking industry have evolved over that period, we should update and simplify many of the Board's regulations, including thresholds for applicability and benchmarks. These thresholds should also be indexed to account for economic growth and inflation.

Commenters have offered suggestions to address a number of areas, including issues with the Board's supervisory framework, regulatory capital, and the applications process. They have also discussed more specific issues ranging from outdated guidelines on loans to insiders, bank activities, and anti-money laundering requirements. Many commenters have also remarked on the excessive burden created by information and regulatory data collections, with an emphasis on the Call Report and other information collections. We are carefully considering these comments and are evaluating ways to address related unnecessary regulatory burdens.

With this feedback in mind, the Board is already working to update and streamline many of these requirements. For example, on regulatory capital, we are pursuing several initiatives, including considering modifications to the Community Bank Leverage Ratio, changes to our stress testing process to reduce volatility of capital requirements, and making proposed changes to the enhanced supplementary leverage ratio. The Board also recently issued an FAQ to provide transparency and clarify the considerations a mutual banking organization should evaluate when proposing to issue a mutual capital instrument. We are also prioritizing work to assist in the fight against fraud and considering ways to streamline the mergers, acquisitions, and de-novo formations review and approval process.

The Board is also committed to refocusing our supervisory process on material financial risks rather than procedural or documentation issues and identifying and eliminating the hidden costs and extra-regulatory burdens implemented through supervision. As part of this initiative, the Board has initiated changes to our large bank ratings framework to better align it with other supervisory ratings systems and ensure large banks' ratings reflect their financial conditions and risks. In addition, we and the other FFIEC agencies are reviewing the CAMELS ratings system, which is long past due for reform. The Board has also taken steps to ensure our supervisory framework is supportive of innovation in the banking system, and we have ended the use of reputational risk in our supervisory program to guarantee fair access to the banking system for all Americans.

Looking ahead, the Board will review a broad set of issues to ensure our regulatory framework and supervisory approaches are appropriately tailored and transparent. Through the EGRPRA process, we have a meaningful opportunity to reduce unnecessary and outdated regulatory requirements. Our responsibility is to promote safety and soundness and consider the broader context of promoting an effective and efficient banking system that supports market functioning and encourages economic growth, business creation and expansion, and opportunity.

I continue to prioritize outreach to banks of all sizes, especially community banks, because your voice must be a part of the conversation in Washington to shape a regulatory framework that fosters growth and innovation. We look forward to engaging on your comments and concerns and constructive ideas for further improvements.

Thank you for your participation.

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[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.