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Welcoming Remarks

by

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Chair

Board of Governors of the Federal Reserve System

at

Community Banking in the 21st Century
Fifth Annual Community Banking Research and Policy Conference
cosponsored by the Federal Reserve System and Conference of State Bank Supervisors

Federal Reserve Bank of St. Louis
St. Louis, Missouri

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I am very glad to welcome everyone here to this conference sponsored by the Federal Reserve System and the Conference of State Bank Supervisors. Since the first of these gatherings five years ago, this research and policy conference has established itself as an important event where industry leaders, academics, and supervisors discuss the latest research and exchange ideas about promoting a healthy and growing community banking industry.

All of us share an interest in seeing that community banks continue their vital role in their customers' lives and in a strong and stable U.S. financial system. The Fed has been working hard to ensure that its regulation and supervision of banks are tailored appropriately to the size, complexity, and role different institutions play in the financial system. For community banks, which by and large avoided the risky business practices that contributed to the financial crisis, we have been focused on making sure that much-needed improvements to regulation and supervision since the crisis are appropriate and not unduly burdensome.

One way we are doing this is through the regulatory review required by the Economic Growth and Regulatory Paperwork Reduction Act, known as EGRPRA. The first step we took, pursuant to EGRPRA, was to listen to industry and others with a stake in how community banks are supervised, which was accomplished through soliciting written comments and by holding six outreach meetings in 2014 and 2015. Our EGRPRA report, issued in March, was focused on community banks, and it noted steps that had already taken place, for example, to simplify Call Report requirements and expand the number of firms eligible for less frequent examinations. Since that report, the Board of Governors, along with the Federal Deposit Insurance Corporation and the

Office of the Comptroller of the Currency, has proposed a rule expanding the number of commercial real estate transactions that will no longer require an appraisal, allowing for a less detailed evaluation. And just last week, the Fed, along with other regulators, took a significant step to reduce the regulatory burden on community banks and other smaller and less complex institutions by proposing to simplify several requirements in the regulatory capital rule.

We have done this because we have an abiding commitment to consider how our decisions affect institutions and the customers they serve. We are well aware that community banks serve communities, businesses, and households that are often underserved by larger institutions and offer more extensive and more personalized services than are often otherwise available. We know that community bankers are part of the communities they serve, and they are often better able to understand the needs and the aspirations of their customers.

We hope that the research presented at this conference stimulates discussion about the leading policy issues facing the industry and supervisors. As in the past, I see that this year's agenda includes presentations related to several important issues, including the effect of supervision on risk-tasking and the effects of greater competition on community banks. I am cheered to see that finance students at the University of Akron remain interested enough in community banking to participate in a case-study competition related to community banking, and I am pleased that the conference will hear a presentation of the winning case study.

In closing, let me thank the conference organizers with the Fed and the Conference of State Bank Supervisors, the scholars and others making presentations, and all of you for attending. I hope you have a terrific conference.