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Community Banking in the 21<sup>st</sup> Century Research Conference  
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Thank you, Julie, for that kind introduction.

Good afternoon and welcome to the 3<sup>rd</sup> Annual Community Banking in the 21<sup>st</sup> Century Research and Policy Conference hosted by the Federal Reserve System and the Conference of State Bank Supervisors. It is my pleasure to be here today to help open this year's conference, and I look forward to the next two days of thought provoking discussion and dialogue.

Now in its third year, this conference continues to impress both in the quality of research presented and in its engagement with a broad range of stakeholders.

One unique aspect of the research conference that I look forward to is the direct input received from community bankers. This conference is about community banking and community bankers. And while it is appropriate to think of lofty ideas during a research conference, we have made a deliberate attempt to ground this forum in a way that gives community bankers a voice.

From the community bankers who are on the research panels, to the keynote speaker, to the bankers who are in attendance, this emphasis on direct feedback from the industry is part of what sets this conference apart. It provides us with an on-the-ground "reality check" to complement the research, and in some cases, challenge our assumptions.

Earlier this year, in preparation for the conference, state regulators in 27 states held town hall meetings with their community bankers. CSBS and the Federal Reserve also conducted a survey of nearly 1,000 community bankers.

Some common themes emerged from the town hall meetings. For example, a lack of clear regulatory expectations and perceived aggressive examination tactics have led to banks hiring more compliance personnel and third-party auditors, both of which are in high demand and very expensive. This has led community banks to abandon some financial products. As one banker put it to me at our town hall meeting in Massachusetts, "When developing a new product, the first question should not be 'what will the regulators think?' It should be 'How many people can we help?'"

The town hall meetings reveal the vibrancy and diversity that exists among our nation's community banks. Each meeting revealed the unique opportunities and challenges community banks face based on their location and their customers. The summaries of those town hall meetings will be made available in the Research Conference publication you will receive tomorrow, and I encourage you to read through them.

It is this type of diversity in our banking industry that has led to a robust discussion between regulators and policymakers on how to best define a community bank. It has become increasingly clear that strict asset thresholds fall far short in identifying and defining community banks. And, properly identifying community banks has important consequences for making policy and for our supervisory approach.

The Federal Deposit Insurance Corporation (FDIC) has already established a community bank definition that takes into account an institution's business activities, funding model, asset size, and geographic footprint. While the FDIC uses this definition for research purposes, state regulators see it as a strong foundation for policymakers seeking to define community banks and building a more appropriate and tailored regulatory framework.

It is important to remember why we started this research conference – to provide an opportunity for academics and researchers to contribute data and analysis, rather than just the anecdotes we hear, on the role community banks play for consumers, small businesses, and small farms in local communities and across our economy. In doing so, we hope to drive better legislative and regulatory policy. So to my regulatory colleagues, think about how we can implement what we learn here to improve our supervisory approaches back home. We have a responsibility to use the data and knowledge we gain to drive better policies and better decision-making.

Thank you, and please enjoy the conference.