

# CSBS' Afdahl: How We Regulate Just As Important As What We Regulate

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***Prepared Remarks for Bret Afdahl  
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Good morning. As the Chairman of the Conference of State Bank Supervisors, I join Julie in welcoming you to the seventh annual community bank policy and research conference.

I am pleased that this is the second year the FDIC has joined CSBS and the Federal Reserve in sponsoring this conference. I am also delighted to welcome staff from Capitol Hill among our guests.

In its short history, this conference has strengthened partnerships. Oftentimes, regulators speak to one another in a moment of crisis. This conference has brought together federal and state regulators, industry leaders and academics, to thoughtfully discuss current and future policy related to community banks. I would like to add that I hope it makes us think outside of our usual parameters to improve the way we regulate community banks so they can do what they do best – serve their communities.

Equally important, working together we have a strong foundation of research and data about community banks. That data has quantified what we regulators have believed to be true. It has put real-life situations into context and in a form that is useful for policy makers.

The research generated here has shown that leverage capital is an effective measure of capital adequacy for noncomplex banks. It has pointed out the limitations of the Herfindahl-Hirschman Index to gauge competitiveness. The research has identified areas where the federal appeals process of material supervisory issues could be improved. It also has shown the importance of the proximity of regulators to the banks they supervise.

Likewise, the community bank survey has been a reference point for lawmakers, influencing legislation on important matters such as qualified mortgages and capital simplification.

This conference has a real impact on policy, and in turn, the communities in which these banks serve. And that is important. It underscores the need for all of us to give more thought to not only what we regulate, but how we regulate. I encourage all of us to listen closely over the next two days. We need to explore more ways to work together, to make this a stronger system that embraces

change and innovation. It might not be comfortable for all of us, but it is important. We must evolve. The risk is staying with the status quo and falling further behind this fast-moving transformation of our financial services industries.

I am excited by this year's agenda. Later this morning, we will learn the results from this year's community bank survey. Spoiler alert – funding is an issue. You'll catch the details later today in the Mike and Andy show...which is now the Mike, Andy and Alisha show.

We will also hear the most recent scoring of the new CSBS sentiment index, which marks how community banks are feeling about the economy. The first results showed an overall positive sentiment. I'm curious what the second set of results will show. This is a wonderful data set to track over time.

Over the next two days, we will also learn more about small business lending, capital influencers and technology and banking. And in between sessions, we will have countless conversations with each other.

I hope we are talking about ideas that push our comfort zone to reexamine our laws, our policies and the way we regulate. Community banks are the lifeblood of rural America and the heart and soul of our small businesses and communities, both large and small. We need to work together to protect their future to protect the future of our country.

All of this means more informed and better policy – for community banks, for regulators and for policymakers. Thank you for being here.

