Opening Remarks by CSBS Chair Tony Salazar at the 2025 Community Banking Research Conference

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“Trust in Financial Supervision”

Community Banking Research Conference Opening Remarks

CSBS Chair Tony Salazar

St. Louis, Oct. 7, 2025

Thank you, Jim. Good morning. Welcome to the thirteenth annual Community Banking Research Conference. As chair of the CSBS Board of Directors, I also want to thank our co-sponsors, the Federal Reserve System and the FDIC, and I want to especially thank our host, the St. Louis Federal Reserve Bank. This conference is a wonderful partnership.

We often hear about how the work presented here helps policymakers understand the empirical value of community banks, but I believe it also plays another very important role. This conference and the research it fosters helps hold us as financial supervisors accountable by showing the impact of supervisory activity and areas that may need attention and by demonstrating potential approaches to addressing challenges facing the community banking system.

In addition to serving as CSBS chair, I am the Commissioner of Financial Regulation for the state of Maryland. My agency charters and supervises 19 community banks and licenses and oversees a myriad of nonbank institutions. Like my counterparts in every state in the country, my job is to ensure consumer protection, maintain the safety and soundness of the financial system, and encourage economic growth in my state.

In other words, my role is meant to build trust – with both our state’s consumers and with the institutions I supervise.

State regulators meet with the banks we supervise on a regular basis. We know their relationship model and the businesses they serve. We recognize that community banks are locally owned and operated. They want their communities to thrive, and we as supervisors want strong, growing economies. This all requires tremendous trust.

We face a complex landscape of challenges today, including rapid technological advancements, limited resources, bank mergers, and fluctuating federal policies. My Office, despite having significant authority to protect consumers and ensure a stable financial system, operates with a relatively small team of fewer than 100 staff and a budget of approximately $20 million. This means we, like many other state agencies, must be strategic and accountable in how we use our resources. State regulators must make tough decisions to deploy our limited resources effectively, ensuring that our institutions and the broader financial system operate with integrity.

However, we are not passive. We continue to lead in areas such as non-depository licensing and supervision. Through state collaborations, we are developing technology for more efficient and interconnected oversight, and we are strengthening enforcement and coordination across state lines. Despite these challenges, state regulators like the OFR remain dedicated to consumer protection and maintaining a trustworthy financial system.

Let me highlight technology to emphasize the importance of trust. The current pace of technological change is unprecedented and presents both opportunities and risks. Digital assets, biometrics, and facial recognition offer potential for broader access to financial products and system improvements. Yet, they also introduce significant risks, including fraud, profiling, and potential government overreach. Trust in our financial institutions and the community banking system is paramount, and as a regulator, I am acutely aware of my responsibility to foster this trust in every decision I make. As supervisors, we must not only understand these technologies but also their potential implications to effectively supervise, advise, and support our community banks, and to appropriately influence policy.

Trust in financial supervision is always important. State regulators recognize that and are committed to filling any gaps and ensuring that financial institutions always receive the oversight needed to ensure their safety and soundness.

So, how do we establish trust in financial supervision? I often think of the quote: *"Trust is built like a tower of stones, one stone at a time."* It gives a good visual of how we approach accountability in the state regulatory system – incrementally through our work and our outreach.

States are known to be laboratories for innovation, and part of their composition is embracing new technologies. For example, Arkansas has its innovation lab, New York has its innovative bit license, and in Maryland we have our Innovation Committee and designated Innovation Contact.

Earlier this year, my agency surveyed our banks on their use of artificial intelligence, which is becoming more prevalent in our personal and business lives. We found they are growing comfortable using AI for fraud prevention, customer service, and improved decision-making processes. Through the survey, we recognized the opportunities where we can provide guidance, resources, and regulatory clarity to foster responsible and effective AI adoption in the financial sector.

Innovation also means looking at new ways to support our state's residents, like fostering accessible financial ecosystems. A couple of years ago, my governor signed the groundbreaking Access to Banking Act to provide incentives to state chartered financial institutions to provide low-income communities with on-going access to the financial system. The legislation also created a new Community Investment Venture Fund, which we launched in June, that is working to pair financial innovators with our state-chartered institutions. The fund has received enormous interest from both the fintech companies and our state-chartered banks and I have high hopes for this initiative.

Another way supervisors build trust is through collaboration. State supervisors collaborate with each other regularly, and we also work with our federal counterparts. Though there are sometimes differences in our

approaches or directions, we do find ways to work together to improve supervision and maintain trust in the system, because at the end of the day, we all agree as to our goals; protecting consumers and ensuring that our financial system retains its status as the best in the world. This conference, co-sponsored by CSBS, the Federal Reserve Board of Governors, and the FDIC, reflects this relationship. State supervisors are also represented on the FFIEC State Liaison Committee and the FSOC. That representation, I believe, improves trust between the agencies and gives greater confidence to the public that decisions are made with representative input.

Ultimately, policy built on sound data and research builds trust, and that underscores the importance of this conference. Bankers, you have shared your pain points and successes over the years, and I have seen how that inspires researchers to come back every year with data that can help policy makers. Academics, your research is building a repository of information that strengthens our financial services ecosystem. Finally, we as regulators, are learning how we can better support the institutions we supervise and consumers we protect.

This is how trust is built – one stone at a time.

As we move forward at this conference and in the future, let's embrace the opportunities ahead and commit to fostering innovation and collaboration, and to collectively navigating the challenges we face to ensure community banking remains a trusted cornerstone of our financial system for generations to come.