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Thoughts on Monetary Policy Decisionmaking and Challenges Ahead

Remarks by

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at the

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Good afternoon. Thank you for the invitation to speak to you. I am delighted to have the opportunity to address this distinguished group of macroeconomic forecasters. Today I will discuss how I approach monetary policy decisionmaking, and I will then describe some of the challenges we will likely face in the years ahead.[1]

Before turning to the main topic of my remarks, I would like to provide some context about my background and how that shapes my approach to my role as a policymaker. After serving for nearly seven years on the Board of Governors, earlier this year, the President appointed me as the Federal Reserve's Vice Chair for Supervision. My role as a financial regulator and my previous experience as a state bank regulator and community banker in Kansas give me a unique perspective on how to approach my responsibilities as a monetary policymaker. This experience informs how I think about economic conditions and the balance of risks to economic activity, the labor market, and inflation in assessing the appropriate stance and direction of policy.

As you know, the Federal Reserve conducts monetary policy to support a strong and stable economy that works for all Americans. In doing so, the Federal Open Market Committee (FOMC) conducts its responsibilities according to the congressionally mandated goals of maximum employment and price stability. The Fed pursues these goals by adjusting its monetary policy stance using a variety of tools, including setting interest rates, providing forward guidance about the expected future path of policy, and adjusting the size and composition of our balance sheet. Our primary monetary policy tool is the federal funds rate, a key interest rate for overnight borrowing by commercial banks that influences other interest rates throughout financial markets. Lower interest

[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.

rates tend to stimulate demand—for housing, cars and other durable goods, and for business investment—which boosts economic activity and has the potential to push up inflation. Higher interest rates tend to slow the economy and tend to push inflation down.

Achieving both of these goals is challenging when they are in tension. Policy actions to tame inflation, like raising the target range for the federal funds rate, can have an adverse effect on employment. By contrast, policy actions aimed at supporting employment that is below its maximum level can potentially increase risks to price stability. These are just a few of the challenges we face as policymakers. With that background, I will share more on my approach to our monetary policy responsibilities and the use of our existing toolkit. I consider my approach in terms of flexibility in shifting the focus on policy objectives when needed and a limited footprint in financial markets.

A Flexible Approach to Policymaking

Pursuing the objectives of the dual mandate at the same time means that we generally seek to achieve the maximum level of employment that is consistent with price stability. But the monetary policy objectives are not always complementary. Because our dual mandate places equal weight on both maximum employment and price stability, when these objectives are in tension it is important not to favor one side of the mandate over the other. In that circumstance, we should be flexible and direct our focus to the side of the mandate that deviates the most from its goal or that shows the greater risk of persistently departing from it. Hesitating to address existing or emerging departures from the dual-mandate goals, due to self-limitations stemming from an unwillingness to depart from outdated past policy communication, increases the likelihood that policymakers will need to implement abrupt and large policy corrections.

As we all remember in 2021, supply and demand imbalances, amplified by extraordinary stimulus from fiscal and monetary policies, led to a sharp rise in inflation over just a few months. By the second half of that year, amid growing inflationary pressures, it became clear that our monetary policy stance was too accommodative and that the FOMC needed to move toward a tighter policy stance. On a 12-month basis, total consumer price index (CPI) inflation rose from about 1-1/2 percent in early 2021 to about 9 percent in mid-2022. We began increasing the policy rate at the March 2022 FOMC meeting, when reported CPI inflation was already at about 8 percent and core personal consumption expenditures inflation was above 5 percent.

In my view, the accommodative forward guidance the Committee adopted in the September and the December 2020 postmeeting statements, which put more weight on the employment side of our mandate, pushed the mandated goals out of balance and contributed to the delay in the removal of monetary policy accommodation in 2021.[2] That forward guidance made it much more difficult for the FOMC to react to new information suggesting that risks and uncertainties had evolved in response to pandemic-related changes in the economy. This ultimately restricted our ability to respond to rising inflationary pressures before seeing any progress on the labor market. Ultimately,

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[2] See Michelle W. Bowman (2023), "Reflections on the Economy and Monetary Policy," remarks delivered at the Utah Bankers Association and Salt Lake City Chamber Banker and Business Leader Breakfast, Salt Lake City, Utah, November 28, https://www.federalreserve.gov/newsevents/speech/files/bowman20231128a.pdf; and Michelle W. Bowman (2024), "Risks and Uncertainty in Monetary Policy: Current and Past Considerations," remarks delivered at "Frameworks for Monetary Policy, Regulation, and Bank Capital," Spring 2024 Meeting of the Shadow Open Market Committee, hosted by the Manhattan Institute, New York, April 5, https://www.federalreserve.gov/newsevents/speech/files/bowman20240405a.pdf.

delaying taking appropriate action while inflation started to increase left us in a position in which we needed to course correct and catch up by raising the policy rate in large increments over a number of months.

Recognizing the substantial risk that unacceptably high inflation could persist, and once the conditions in the labor market were moving toward the FOMC's goal of maximum employment, by the end of 2021 I shifted my focus to the inflation side of our mandate and to bringing inflation down toward our 2 percent goal. At the time, I argued in favor of taking prompt and forceful policy action to get inflation under control, which I saw as our primary responsibility at that time, as it had begun to impose a heavy burden on households and businesses. Of course, tightening policy and then maintaining a restrictive stance to lower inflation could have resulted in costs and risks to the labor market, but I saw far greater costs and risks in allowing inflation to persist. And, importantly, maintaining the commitment to restoring price stability is the best course to sustain a strong labor market and an economy that works for everyone.

As I noted in recent remarks, we are now facing a very different economic environment.[3] Over the past several months, I have been pointing to a shift in economic conditions and in the balance of risks to our employment and inflation goals, calling attention to signs of potential labor market fragility. And I have argued that increasing

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[3] See Michelle W. Bowman (2025), "Unintended Policy Shifts and Unexpected Consequences," remarks delivered at "Assessing the Effectiveness of Monetary Policy during and after the COVID-19 Pandemic," a research conference sponsored by the International Journal of Central Banking and the Czech National Bank, Prague, Czech Republic, June 23, https://www.federalreserve.gov/newsevents/speech/files/bowman20250623a.pdf; Michelle W. Bowman (2025), "Thoughts on the Economy and Community Bank Capital," remarks delivered at the Kansas Bankers Association 2025 CEO & Senior Management Summit, Colorado Springs, Colorado, August 9, https://www.federalreserve.gov/newsevents/speech/files/bowman20250809a.pdf; and Michelle W. Bowman (2025), "Views on the Economy and Monetary Policy," remarks delivered at the Kentucky Bankers Association Annual Convention, Asheville, North Carolina, September 23, https://www.federalreserve.gov/newsevents/speech/files/bowman20250923a.pdf.

signs of weakening labor market conditions provide a basis for proactively supporting the employment side of our mandate.

Recent data show a materially more fragile labor market along with inflation that, excluding tariffs, has continued to hover not far above our target. Given this shift in labor market conditions, at last week's FOMC meeting I supported beginning the process of removing policy restraint and bringing the federal funds rate back to its neutral level.

Up until the July FOMC meeting, even with inflation within range of our target, the Committee has focused primarily on the inflation side of the dual mandate. Now that we have seen many months of deteriorating labor market conditions, it is time for the Committee to act decisively and proactively to address decreasing labor market dynamism and emerging signs of fragility. In my view, the recent data, including the estimated payroll employment benchmark revisions, show that we are at serious risk of already being behind the curve in addressing deteriorating labor market conditions. Should these conditions continue, I am concerned that we will need to adjust policy at a faster pace and to a larger degree going forward.

I recognize and appreciate concerns that we have not yet perfectly achieved our inflation goal. But under a flexible approach to policymaking, it is appropriate to focus on the side of the mandate that is showing signs of deterioration or fragility even though inflation is above but within range of our target. This shift is appropriate now because forecasters widely expect inflation to significantly decline next year, and as further deterioration in labor market conditions would likely lead to more persistent damage to the employment side of the mandate, that would be difficult to address with our tools.

With tariff-related price increases likely being a one-time effect, my view is that inflation will return to 2 percent after these effects dissipate. Because changes in monetary policy take time to work their way through the economy, it is appropriate to look through temporarily elevated inflation readings and therefore remove some policy restraint to avoid weakening in the labor market, provided that long-run inflation expectations remain well anchored.

In addition, putting tariffs aside, the U.S. economy may also be experiencing an extended productivity surge, in large part because of recent technological advances. And productivity growth has likely been higher than reported due to the downward benchmark revisions to payroll gains. These developments reinforce the case for removing policy restraint because monetary policy should accommodate productivity shocks that raise potential output.

In light of all these considerations, in my view, it was appropriate to begin the process of moving policy toward a more neutral stance at last week's FOMC meeting, and it has been appropriate to do so for several months. Moreover, the rising downside risks to employment and the potential for greater damage to the labor market underscore the need to shift our focus away from overemphasizing the latest data points.

In the past, I have supported data dependence as an approach that incorporates incoming data into the decisions that lie immediately ahead and further into the future. Our experience during and following the pandemic highlights the difficulty in assessing the current state of the economy and predicting how it will evolve in the presence of major supply- and demand-side shocks, possible structural changes in the economy, and real-time data and measurement uncertainty. With unusually high uncertainty around the state of the economy and the economic outlook, and with significant risks to our employment and price stability goals, judging where the economy is headed in the future is much more challenging. Therefore, it made sense in the past to consider and be informed by the incoming data and its implications for the outlook in assessing the appropriate path for monetary policy.

But today we are facing different conditions. I am concerned that the labor market could enter into a precarious phase, and there is a risk that a shock could tip it into a sudden and significant deterioration. An inflexible and dogmatic view of data dependence gives an inherently backward-looking view of the economy and would guarantee that we remain behind the curve, requiring us to catch up in the future.

I think we should consider shifting our focus from overweighting the latest data points to a proactive forward-looking approach and making a forecast that reflects how the economy is likely to evolve going forward. Because policy actions take time to flow through to, or have their full effect on, the economy, labor markets, and inflation, it is important that we are making predictions about where the economy is headed and to act on those forecasts in real time. A forward-looking approach ensures that monetary policy can help support the economy. It also better positions us to avoid falling behind the curve and then having to implement abrupt and dramatic policy actions. In my view, it is more effective to act promptly and decisively in the face of fragility than to be forced to dramatically adjust policy after damage has occurred.

A Limited Footprint – the Fed's Balance Sheet

I will turn now to discuss my views about how we use our balance sheet. As the runoff in our securities portfolio proceeds following extensive asset purchases during the pandemic, there are several issues with important implications regarding the size and the composition of the Fed's balance sheet in the longer run.

Over the longer run, my preference is to maintain the smallest balance sheet possible with reserve balances at a level closer to scarce than ample. First, a smaller balance sheet would minimize the Fed's footprint in money markets and in Treasury markets. Of course, in order to efficiently implement monetary policy, it is necessary to have some footprint in these markets. Second, holding less-than-ample reserves would return us to a place where we are actively managing our balance sheet, identifying instead of masking signals of market stress. In my view, actively managing our balance sheet would give a more timely indication of stress and market functioning issues, as allowing a modest amount of volatility in money markets can enhance our understanding of market clearing points.

Lower levels of reserves may also incentivize banks to engage in more active management of their liquidity positions and liquidity risks. Finally, a lower terminal level of reserves and a smaller balance sheet as a percentage of gross domestic product (GDP) would provide the FOMC with the optionality to respond to future shocks or economic downturns without worrying whether there is enough room to expand the balance sheet as a potential tool.

In terms of the composition of the Fed's securities holdings in the longer run, I strongly support having a System Open Market Account portfolio that consists only of Treasury securities to minimize the effects of the Federal Reserve's holdings on the allocation of credit across the economy. Holding agency mortgage-backed securities (MBS), or other non-Treasury securities, could be seen as selective credit allocation.

I also look forward to revisiting the Committee's consideration of potential sales of our agency MBS holdings. Simply relying on MBS runoff will not allow returning to a Treasury-only portfolio within a credible time frame.

The longer-run maturity structure of the Federal Reserve's Treasury securities holdings is also an important consideration. One benefit of a Treasury portfolio maturity structure that mirrors the broader Treasury market is that the Fed's holdings would be "neutral." This means that these holdings would not disproportionately affect the pricing of any given maturity of Treasury security or provide incentives for the issuance of any given type of Treasury security. A balance sheet tilted slightly toward shorter-dated Treasury securities would allow a more flexible approach.

For example, the FOMC could reduce its shorter-dated Treasury securities holdings in favor of longer-dated Treasury securities if the Committee wanted to use the balance sheet to provide monetary policy accommodation without expanding the size of its securities holdings. This approach would be similar to the FOMC's maturity extension program in 2011 and 2012, sometimes referred to as "Operation Twist." It will be important to consider the potential costs and benefits to the Federal Reserve's Treasury securities maturity structure and the best ways to achieve the desired maturity structure over time.

The Nature and Use of Emergency Tools

I will turn now to the role for and the availability of policy tools like lending programs and facilities. During periods of extreme financial system stress, the Federal Reserve has the authority, with the approval of the Secretary of the Treasury, to use tools, including lending facilities, to directly support the effective functioning of key financial markets and the flow of credit throughout the economy. During the pandemic, the Board extensively relied on the creation of lending programs that were designed to serve as backstops to support market functioning and the flow of credit during times of stress. The temporary nature of these types of lending facilities that are activated only during times of severe financial market stress makes them an attractive alternative to other tools. Lending programs are most effective as backstops when loans are offered at a penalty rate and are of short duration. When appropriately calibrated, they can help promote market functioning and the effective transmission of monetary policy but also limit the Federal Reserve's overall footprint in financial markets in the longer term.

Despite their demonstrated effectiveness during times of financial market dysfunction, my view is that emergency lending facilities should be reserved for the single-purpose use in emergency circumstances and should not be institutionalized. In other words, they should not be converted to permanent standing facilities. Instead, they should be activated for only the most exceptionally stressed circumstances. Institutionalizing an activity that was created to temporarily respond to emergency conditions essentially normalizes an extreme emergency response to market illiquidity.

I am concerned that converting emergency facilities created in the depths of a crisis into permanent standing facilities would potentially increase the Fed's footprint in financial markets and have adverse implications, such as distorting private-sector market dynamics and market pricing during normal, noncrisis times. My preference is to rely on these types of facilities only on an emergency basis to address exceptional circumstances. This approach ensures that potential counterparties transact in the private market during times of normal or even mildly stressed market conditions.

A better option would be to announce the short duration of a facility at the time it is created and be clear that it will only exist while the conditions prevail. During the pandemic, we demonstrated the ability to bring these facilities online quickly, so communication reiterating that we stand ready to do it again, even if only on a "just in time" basis, may, on its own, have a beneficial effect on market dynamics.

I will conclude this part of my discussion by highlighting a current regulatory proposal that would return the enhanced supplementary leverage ratio (eSLR) to a backstop rather than a binding constraint for bank-affiliated broker-dealers.

Treasury Market Intermediation

Even though the U.S. financial system is strong and resilient, over time there have been periods of market stress and volatility in Treasury market intermediation. And there are strong indications that leverage capital requirements may be contributing to vulnerabilities in the Treasury market, particularly in the face of unusually high trading volumes.

In late June, the Board, along with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, approved a proposal to modify the eSLR, which applies to the U.S. global systemically important banks (G-SIBs). Although leverage ratios are intended to serve as a capital "backstop" to risk-based measures, the eSLR has become increasingly binding over time. This bindingness has been substantially driven by economic growth, inflation, and the level of reserves in the system. When leverage requirements become a firm's binding capital constraint, they can disincentivize low-risk, low-margin activities. Broker-dealer affiliates of the G-SIBs are significant participants in Treasury market intermediation, and the effect of a more binding eSLR has been to diminish the market intermediation capacity of these intermediaries. This was never the intent of the eSLR. The eSLR proposal would help return this leverage requirement to a more appropriate role as a capital backstop. This important, proactive step would also preserve the role of the eSLR in promoting safety, soundness, and financial stability, and that, as proposed, is also fully consistent with our international agreements.

In addition, once the GENIUS Act is implemented, stablecoin issuers are required to hold reserves equivalent to the value of stablecoin issuance, which can include U.S. Treasuries.[4] This additional demand could compound future episodes of Treasury market liquidity stress, increasing the importance of eSLR reform to ensure Treasury market functioning. Once finalized, the eSLR proposal would provide additional balance sheet capacity for G-SIBs to intermediate U.S. Treasury market activities. This change will help build market resilience and reduce the likelihood both of market dysfunction and of the need for the Fed to intervene, by implementing temporary modifications to the eSLR.

Reforming the eSLR would also directly address some of the problems that a permanent Federal Reserve facility like the standing repo facility (SRF) is intended to alleviate—for example, mitigating temporary repurchase agreement (repo) rate spikes at month-, quarter-, and year-ends caused by large banks being unwilling to provide a sufficient supply of Treasury market liquidity. In my view, adjusting leverage capital requirements could help refocus the role of the SRF as a liquidity backstop for Treasury market intermediation, rather than normalizing its use and enabling rate arbitrage to drive usage in periods of calm.

[4] The Guiding and Establishing National Innovation for U.S. Stablecoins Act was enacted on July 18, 2025.

Although at the July 2021 FOMC meeting I voted to convert ongoing open market operations into a permanent facility, I did so with significant reservations because, as I noted earlier, my preference would be to not institutionalize operations that addressed temporary market emergencies. At that time, I stated that we should have remained attentive to the unintended consequences of an SRF and be prepared to adjust its parameters as needed to address those effects.

In its current form, the SRF has a minimum bid rate set equal to the discount window primary credit rate, which is also equal to the top of the target range for the federal funds rate. As a result, the SRF, by design, is not fully positioned to serve only as a backstop during times of market dysfunction and stress. My preference would be for a minimum bid rate higher than the top of the federal funds rate target range in order to emphasize that the SRF's purpose is to serve only as a backstop. A rate above the top of the target range would be more likely to discourage use of the facility outside of exceptional market-wide episodes of acute stress. It seems likely that a rate that's not set at a sufficiently high level might still be considered an option for primary dealers experiencing idiosyncratic pressures outside of market-wide disruption. In my view, providing an outlet for dealers that experience these kinds of pressures should not be the intended purpose of this facility.

While creating a "release valve" to provide greater market liquidity has been a goal of the SRF, I remain concerned that one of its unintended consequences is to distort market signals by artificially affecting repo rate dynamics. It is not the Fed's role to replace or arbitrage private-market activities.

Having a minimum bid rate on the SRF that is not sufficiently elevated relative to market rates risks suppressing or distorting valuable signals stemming from overnight money markets. While balance sheet runoff is entering a new phase, it is especially important to be able to observe underlying reserve and money market conditions.

Challenges for Monetary Policy Ahead

Throughout my tenure at the Federal Reserve Board, the U.S. economy has experienced many challenging times, including below-target inflation and low unemployment; the effects of the COVID-19 experience, with high unemployment, strong demand enabled by fiscal support, supply chain disruptions, and high inflation; several bank failures; extraordinary immigration; and last year's recalibration of our monetary policy stance. The problems we face are often different and require agility in our understanding of how the economy works and is likely to evolve.

I will turn now to briefly discuss some challenges for monetary policy in the years ahead, including the potential for supply shocks, the transmission of monetary policy to long-term interest rates, the housing market, the artificial intelligence (AI) investment boom, and the ways that I see some of these factors affecting the neutral rate of interest.

Supply Shocks

Supply shocks, which move economic activity and inflation in opposite directions, can be challenging for monetary policy to address because they can put the pursuit of the dual-mandate goals in conflict.[5] The development of new technologies that raise productivity is an example of a positive supply shock that increases potential output,

[5] See Hess Chung, Callum Jones, Antoine Lepetit, and Fernando M. Martin (2025), "Implications of Inflation Dynamics for Monetary Policy Strategies," Finance and Economics Discussion Series 2025-072 (Washington: Board of Governors of the Federal Reserve System, August), https://doi.org/10.17016/FEDS.2025.072.

while supply chain disruptions are an example of a negative supply shock. To properly address these shocks, for situations in which the policy objectives are in tension, as implied by the FOMC's revised Statement on Longer-Run Goals and Monetary Policy Strategy, we need to consider how large and persistent the deviations implied by the shock to the price-stability and maximum-employment mandates will likely be.[6] Importantly, supply shocks can also affect demand, and so we need to assess how the relative effects on supply and demand are likely to evolve.

Tariffs can be seen as a negative shock to the supply of imported goods but can also be viewed as a surcharge on demand for imported goods. Like any surcharge on sales, the effects on inflation are likely short lived, as reduced demand increases slack in the economy and restrains any follow-on price increases, assuming that inflation expectations remain anchored. Therefore, it makes sense for monetary policy to mostly look through the one-off effect on prices and put more weight on the likely more persistent effects on demand and employment.

A step-down in population growth is also a negative supply shock, as it slows the increase in the labor force and output. This development would also represent a negative shock to demand, with the two effects roughly balancing out over time. However, the source of the shock, whether due to lower immigration or the aging of the population, seems relevant. While aging of the population is a gradual process that is less likely to generate sudden deviations in either of our mandates, a shock to immigration can have sharper effects on demand in the near term, as supply is likely to adjust more slowly—for example, housing.

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[6] The FOMC's revised Statement on Longer-Run Goals and Monetary Policy Strategy is available on the Board's website at https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf.

Term Premiums

A second challenge for monetary policy would be a significant rise in longer-term interest rates driven by higher term premiums, which could offset a reduction in the expectations component stemming from monetary policy easing. This scenario would weaken the transmission of changes in the policy rate to economic activity, as investment decisions of households and businesses are dependent on longer-term rates, such as mortgage rates and corporate bond yields. Although term premiums increased when the FOMC recalibrated the policy stance toward the end of last year, they have come down significantly so far this year, allowing for a reduction in longer-term interest rates.

A further rise in the term premium could reflect higher compensation for expected inflation and increased risks that monetary policy may need to address future shocks to real activity or inflation. Some of the factors that could lead to higher term premiums would be concerns about fiscal sustainability and the FOMC's credibility to achieve its inflation goal.

Housing Market

A third challenge for monetary policy would be a sharp housing market correction. Although supply factors have been weighing down on housing activity for a while, demand factors appear to have recently become the dominant force. Elevated mortgage rates may be exerting a more persistent drag, as income growth expectations have declined while house prices remain high relative to rents. Given very low housing affordability, existing home sales have remained depressed despite higher inventories of homes for sale. I am concerned that declines in house prices could accelerate, posing downside risks to housing wealth and inflation in the years ahead.

Artificial Intelligence

Finally, the surge in AI investment could also be challenging for monetary policy. Investment in new technologies is likely to raise productivity and lower inflation in the medium term. Although the additional investment also boosts demand, the effects on productivity and supply are likely to occur relatively quickly, and the economy is less likely to tighten appreciably in the near term. In this case, monetary policy should refrain from restraining aggregate demand, as any deviation from maximum employment is likely to be temporary.

There is a risk that expectations of returns on these high-tech investments may be too optimistic and raise financial stability concerns. Although tech companies can largely self finance these investments, or easily access bond and equity markets, if expectations of future revenues do not materialize, we may see a large correction in equity markets and a slump in investment spending due to over-capacity. Such a correction would lead to a contraction in aggregate demand through lower household wealth and lower expected profits.

Neutral Rate of Interest

Some of the factors discussed here may be key influences on the neutral interest rate, or r*. The two factors that I am more attentive to are slower population growth and fiscal sustainability risks. Although these factors have opposite effects on the balance between savings and investment and r*, I see slower population growth and the aging of the population as more prominent factors in pulling down the neutral interest rate. If fiscal sustainability concerns are not addressed in the years ahead, by stabilizing or reversing the upward trajectory of the federal debt-to-GDP ratio, I am afraid that r* and interest rates could rise and crowd out private investment.

Closing Thoughts

Before we move on to the discussion, I'd like to touch on the supervision and regulatory work under way. We have made a lot of progress in the past few months since I became the Vice Chair for Supervision. And Congress has been hard at work considering important banking and digital assets legislation and the passage of the GENIUS Act.

In addition to working to implement the Fed's responsibilities under this law, we are making significant progress on a number of priorities in supervision and regulation. Early in my tenure, I described my approach to take a fresh look at our supervision and regulatory framework.[7]

We have made progress on a wide range of priorities in these past few months, including

- proposed changes to rationalize the large financial institution ratings framework that applies to the largest banking institutions to emphasize material financial risk
- proposed revisions to the eSLR to return it to its traditional role as a capital backstop and limit the risk of further disruptions to Treasury market activities
- removed reputational risk from the examination toolkit, instead prioritizing material financial risk

[7] See Michelle W. Bowman (2025), "Taking a Fresh Look at Supervision and Regulation," remarks delivered at the Georgetown University McDonough School of Business, Psaros Center for Financial Markets and Policy, Washington, D.C., June 6, https://www.federalreserve.gov/newsevents/speech/files/bowman20250606a.pdf.

- published a request for information on payments fraud activities to develop a plan for a better and more coordinated response (and, here, I would note that the comment period just closed on September 18)
- proposed improvements to reduce the volatility of supervisory stress tests by imposing reasonable and transparent parameters on the tests
- reviewing regulatory reporting requirements to improve the validation of information collected *every time* a form is renewed, rather than rubber-stamping the renewal of collections that may no longer be effective or useful

While we are making progress in a number of areas, there is much left to do. Some of this work will include improving the mergers and acquisitions process; reviewing the appropriateness of capital requirements for all banks, including revising the community bank leverage ratio and approaches for mutual banks; and addressing payments and check fraud. We are continuing to enhance examiner training and development, and we will continue to prioritize economic growth and safety and soundness in the bank regulatory framework.

Thank you again for the invitation to join you today. It's a pleasure to be here, and I look forward to our discussion.