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(Original Signature of Member)

119TH CONGRESS  
2D SESSION

# H. R.

To require certain supervisory agencies to assess their technological capabilities, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. STUTZMAN introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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# A BILL

To require certain supervisory agencies to assess their technological capabilities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Fostering the Use of  
5 Technology to Uphold Regulatory Effectiveness in Super-  
6 vision Act”.

7 **SEC. 2. FINDINGS.**

8 Congress finds the following:

1           (1) Banking regulators continue to examine and  
2           monitor depository institutions without sufficient ac-  
3           cess to real-time information.

4           (2) Supervisory regulators should leverage tech-  
5           nologies to more effectively carry out their duties.

6           (3) When updating supervisory technology,  
7           risks surrounding technology procurement must be  
8           effectively managed.

9           (4) Agencies' reliance on outdated technology  
10          can create vulnerabilities for the financial system,  
11          through—

12                 (A) difficulties in collecting, compiling, and  
13                 analyzing relevant information about risks and  
14                 noncompliance at supervised firms;

15                 (B) reliance on information that is inac-  
16                 curate, incomplete, or not timely;

17                 (C) reliance on limited and outdated tools  
18                 for data analysis;

19                 (D) difficulties in using data to identify  
20                 risk trends;

21                 (E) difficulties in producing accurate and  
22                 timely reports;

23                 (F) inadequacy of cybersecurity safe-  
24                 guards; and

25                 (G) failure to detect illegal activities.

1           (5) The rapid expansion of financial firms' use  
2 of artificial intelligence may generate opportunities  
3 to improve the financial system while also intro-  
4 ducing a range of risks, making it essential that  
5 agencies be equipped with the technology, expertise,  
6 and skills needed to analyze these opportunities and  
7 potential risks.

8           (6) While agencies assess their supervisory ca-  
9 pabilities on an ongoing basis, it is imperative that  
10 there be a unified goal of enhancing supervisory  
11 technologies that ensure effective and sustainable  
12 oversight.

13 **SEC. 3. TECHNOLOGICAL CAPABILITIES AND PROCURE-**  
14 **MENT PRACTICES ASSESSMENT.**

15 (a) IN GENERAL.—

16           (1) TECHNOLOGICAL CAPABILITIES ASSESS-  
17 MENT.—Each covered agency shall, not later than  
18 180 days after the date of the enactment of this sec-  
19 tion, assess how existing technologies used by the  
20 covered agency pose challenges to the covered agency  
21 in conducting adequate, real-time supervisory assess-  
22 ments of entities over which the covered agency has  
23 supervisory authority. Such technologies include, as  
24 applicable—

1 (A) core information technology infrastruc-  
2 ture;

3 (B) technologies used to supervise entities;

4 (C) technologies for monitoring general  
5 market risks using reported data and external  
6 data; and

7 (D) technologies for data collection, stor-  
8 age, processing, and security.

9 (2) PROCUREMENT PRACTICES ASSESSMENT.—

10 Each covered agency shall, not later than 180 days  
11 after the date of the enactment of this section—

12 (A) assess the procurement rules and pro-  
13 tocols adhered to by such covered agency when  
14 such covered agency acquires or develops new  
15 technological systems; and

16 (B) identify any opportunities to further  
17 streamline procurement rules and protocols, in-  
18 cluding an assessment of the impact such rules  
19 or protocols have on the ability of the covered  
20 agency to test new technological systems, that  
21 are within the covered agency's authority to  
22 streamline.

23 (b) REPORT.—Not later than 18 months after the  
24 completion of the assessments required under subsection  
25 (a), and for every 5 years thereafter, the covered agencies

1 shall coordinate and jointly submit to the Committee on  
2 Financial Services of the House of Representatives and  
3 the Committee on Banking, Housing, and Urban Affairs  
4 of the Senate, in a manner that does not pose a risk to  
5 the integrity or security of any technologies, systems, or  
6 capabilities of covered agencies, regulated entities, or mar-  
7 ket participants, a report that includes, as applicable, the  
8 following with respect to each covered agency:

9           (1) A general overview of hardware and soft-  
10       ware used for information gathering and advanced  
11       analytics during supervision activities, including cat-  
12       egories of technology purchased from vendors and  
13       developed by the covered agency or contractors of  
14       the covered agency.

15           (2) A description of the procurement practices  
16       and protocols of the covered agency, including a de-  
17       scription of—

18                   (A) whether such processes are voluntarily  
19       adhered to or mandated; and

20                   (B) any opportunities to further streamline  
21       procurement rules and protocols, including an  
22       assessment of the impact such rules or proto-  
23       cols have on the ability of the covered agency  
24       to test new technological systems.

1           (3) A general overview of the portion of the  
2 workforce of the covered agency that is engaged ma-  
3 terially in technology development within the covered  
4 agency, including—

5           (A) an overview of the ability of the cov-  
6 ered agency to recruit and retain appropriate  
7 technology experts; and

8           (B) a description of the degree to which  
9 the covered agency relies on contractors to de-  
10 sign, develop, or deploy technology and perform  
11 technology-related tasks.

12          (4) A general description of the processes used  
13 by the covered agency to obtain information from  
14 entities supervised by the covered agency and any  
15 impediments thereto, including regulatory obstacles.

16          (5) General information about market and tech-  
17 nology trends and risks in the underlying regulated  
18 markets including, specific to the covered agency's  
19 jurisdiction,—

20           (A) market developments influenced by the  
21 adoption of new technologies;

22           (B) the use of new technologies by super-  
23 vised entities for compliance and risk manage-  
24 ment purposes;

1 (C) the impact of new technologies on the  
2 collection and analysis of data submitted to the  
3 covered agencies by supervised entities as re-  
4 quired by regulation, including on data quality,  
5 interoperability, and standardization; and

6 (D) potential risks, including risks of illicit  
7 activity, related to new technologies.

8 (6) A general description of the ways in which  
9 the covered agency shares information or system ac-  
10 cess with other covered agencies and any impedi-  
11 ments thereto, including regulatory obstacles.

12 (7) An estimate of the costs for supervised enti-  
13 ties to modify systems to share data with covered  
14 agencies, as appropriate.

15 (8) a general description of any plans of the  
16 covered agency to implement future upgrades to the  
17 technology it uses to supervise entities, including—

18 (A) the anticipated timeline for any  
19 planned upgrades;

20 (B) the costs of any planned upgrades;

21 (C) any impediments to procuring relevant  
22 technologies;

23 (D) plans for hiring and training individ-  
24 uals in connection with technological upgrades;

1 (E) any aspects of any planned upgrades  
2 that should be addressed on an interagency  
3 basis;

4 (F) any anticipated challenges and oppor-  
5 tunities associated with entities supervised by  
6 the covered agency adapting to the covered  
7 agency's reporting process, including—

8 (i) estimates of transition costs; and

9 (ii) estimates of any potential cost re-  
10 ductions; and

11 (G) as applicable, the covered agency's re-  
12 lationships with other covered agencies in their  
13 capacity as delegated examiners.

14 (d) COVERED AGENCY DEFINED.—In this section,  
15 the “covered agency” means the Board of Governors of  
16 the Federal Reserve System, the Bureau of Consumer Fi-  
17 nancial Protection, the Federal Deposit Insurance Cor-  
18 poration, the Department of the Treasury, including the  
19 Office of the Comptroller of the Currency and the Finan-  
20 cial Crimes Enforcement Network, the Federal Housing  
21 Finance Agency, and the National Credit Union Adminis-  
22 tration.