

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 8278
OFFERED BY MR. STUTZMAN OF INDIANA**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

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

5 SEC. 2. FINDINGS.

6 Congress finds the following:

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

10 (2) Risk surrounding technology procurement
11 may present challenges for updating supervisory
12 technology.

13 (3) To ensure that prudential supervision is ef-
14 fective and sustainable in the digital age, agencies
15 must leverage new technologies to allow for the fi-
16 nancial monitoring necessary to preserve a safe and
17 sound banking system.

1 (4) New technological tools are also necessary
2 in order for agencies to effectively fulfill mandates
3 other than prudential supervision, including their
4 mandates to assure consumer protection and mon-
5 itor Bank Secrecy Act compliance.

6 (5) Agencies' reliance on outdated technology
7 can create vulnerabilities for the financial system,
8 through—

9 (A) difficulties in collecting, compiling, and
10 analyzing relevant information about risks and
11 noncompliance at supervised firms;

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

14 (C) reliance on limited and outdated tools
15 for data analysis;

16 (D) difficulties in using data to identify
17 risk trends;

18 (E) difficulties in producing accurate and
19 timely reports;

20 (F) inadequacy of cybersecurity safe-
21 guards; and

22 (G) failure to detect illegal activities.

23 (6) The rapid expansion of financial firms' use
24 of artificial intelligence may generate opportunities
25 to improve the financial system while also intro-

1 ducing a range of risks, making it essential that
2 agencies be equipped with the technology, expertise,
3 and skills needed to analyze these opportunities and
4 potential risks.

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

10 **SEC. 3. TECHNOLOGICAL CAPABILITIES AND PROCURE-**
11 **MENT PRACTICES ASSESSMENT.**

12 (a) IN GENERAL.—

13 (1) TECHNOLOGICAL CAPABILITIES ASSESS-
14 MENT.—Each covered agency shall, not later than
15 180 days after the date of the enactment of this sec-
16 tion, assess how existing technologies used by the
17 covered agency pose challenges to the covered agency
18 in conducting adequate, real-time supervisory assess-
19 ments of entities over which the covered agency has
20 supervisory authority. Such technologies include, as
21 applicable—

22 (A) core information technology infrastruc-
23 ture;

24 (B) technologies used to supervise entities;

1 (C) technologies for monitoring general
2 market risks using reported data and external
3 data; and

4 (D) technologies for data collection, stor-
5 age, processing, and security.

6 (2) PROCUREMENT PRACTICES ASSESSMENT.—

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

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

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

20 (b) REPORT.—Not later than 18 months after the
21 completion of the assessments required under subsection
22 (a), and for every 5 years thereafter, the covered agencies
23 shall coordinate and jointly submit to the Committee on
24 Financial Services of the House of Representatives and
25 the Committee on Banking, Housing, and Urban Affairs

1 of the Senate, in a manner that does not pose a risk to
2 the integrity or security of any technologies, systems, or
3 capabilities of covered agencies, regulated entities, or mar-
4 ket participants, a report that includes, as applicable, the
5 following with respect to each covered agency:

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

12 (2) A description of the procurement practices
13 and protocols of the covered agency, including a de-
14 scription of—

15 (A) whether such processes are voluntarily
16 adhered to or mandated; and

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

22 (3) A general overview of the portion of the
23 workforce of the covered agency that is engaged ma-
24 terially in technology development within the covered
25 agency, including—

1 (A) an overview of the ability of the cov-
2 ered agency to recruit and retain appropriate
3 technology experts; and

4 (B) a description of the degree to which
5 the covered agency relies on contractors to de-
6 sign, develop, or deploy technology and perform
7 technology-related tasks, and a description of
8 related risk management practices for contrac-
9 tors and third-party technologies.

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

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

18 (A) market developments influenced by the
19 adoption of new technologies;

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

23 (C) the impact of new technologies on the
24 collection and analysis of data submitted to the
25 covered agencies by supervised entities as re-

1 required by regulation, including on data quality,
2 interoperability, and standardization; and

3 (D) potential risks, including risks of illicit
4 activity, related to new technologies.

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

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

12 (8) A general description of any plans of the
13 covered agency to implement future upgrades to the
14 technology it uses to supervise entities, including—

15 (A) the anticipated timeline for any
16 planned upgrades;

17 (B) the costs of any planned upgrades;

18 (C) any impediments to procuring relevant
19 technologies;

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

22 (E) any aspects of any planned upgrades
23 that should be addressed on an interagency
24 basis;

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

5 (i) estimates of transition costs; and

6 (ii) estimates of any potential cost re-
7 ductions; and

8 (G) as applicable, the covered agency's re-
9 lationships with other covered agencies in their
10 capacity as delegated examiners.

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

