

[DISCUSSION DRAFT]

119TH CONGRESS
2^D SESSION

H. R. _____

To authorize controlled sharing of fraud-related information among financial institutions, protect consumer privacy, and enable artificial intelligence-based detection systems.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To authorize controlled sharing of fraud-related information among financial institutions, protect consumer privacy, and enable artificial intelligence-based detection systems.

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 “Transaction Risk Ana-
5 lytics and Collaborative Exchange Act of 2026” or the
6 “TRACE Act of 2026”.

7 **SEC. 2. DEFINITIONS.**

8 In this Act:

1 (1) ARTIFICIAL INTELLIGENCE SYSTEM.—The
2 term “artificial intelligence system” means any ma-
3 chine-learning, neural-network, statistical, or auto-
4 mated pattern-recognition system used to analyze
5 covered information for a covered fraud-prevention
6 purpose.

7 (2) COVERED FRAUD-PREVENTION PURPOSE.—
8 The term “covered fraud-prevention purpose” means
9 the detection, prevention, mitigation, or investigation
10 of fraud, scams, identity theft, account takeover,
11 synthetic identity fraud, money-mule activity, or
12 cyber-enabled theft.

13 (3) COVERED INFORMATION.—The term “cov-
14 ered information” means transactional indicators,
15 device or network identifiers, tokenized or hashed
16 personal identifiers, behavioral patterns, typologies,
17 risk signals, and similar data reasonably necessary
18 to carry out a covered fraud-prevention purpose.

19 (4) FEDERAL FINANCIAL REGULATOR.—The
20 term “Federal financial regulator” means—

21 (A) a Federal banking agency, as defined
22 in section 3 of the Federal Deposit Insurance
23 Act (12 U.S.C. 1813); and

24 (B) the National Credit Union Administra-
25 tion.

1 (5) FINANCIAL INSTITUTION.—The term “fi-
2 nancial institution” has the meaning given that term
3 in section 603(t) of the Fair Credit Reporting Act
4 (15 U.S.C. 1681a(t)).

5 **SEC. 3. AUTHORIZATION FOR FRAUD INFORMATION SHAR-**
6 **ING AND CONFORMING AMENDMENTS.**

7 (a) AMENDMENT TO THE GRAMM-LEACH-BLILEY
8 ACT.—Section 502 of the Gramm-Leach-Bliley Act (15
9 U.S.C. 6802) is amended by adding at the end the fol-
10 lowing:

11 “(f) FRAUD-PREVENTION INFORMATION SHARING.—

12 “(1) IN GENERAL.—Notwithstanding sub-
13 sections (a) through (e), a financial institution may
14 disclose nonpublic personal information to a finan-
15 cial institution or to a fraud-information-sharing
16 system, solely for a covered fraud-prevention pur-
17 pose.

18 “(2) PERMITTED USES.—Information disclosed
19 under paragraph (1) may be used for—

20 “(A) real-time or batch fraud monitoring;

21 “(B) training, testing, or validating artifi-
22 cial intelligence systems;

23 “(C) generation of typologies, indicators,
24 or risk signals; and

1 “(D) other uses approved by regulation
2 that are consistent with a covered fraud-preven-
3 tion purpose.

4 “(3) CONDITIONS.—Nonpublic personal infor-
5 mation disclosed pursuant to paragraph (1) shall be
6 subject to the requirements of this title otherwise
7 applicable to disclosed nonpublic personal informa-
8 tion.

9 “(4) RULE OF CONSTRUCTION.—Nothing in
10 this subsection shall be construed to permit the use
11 of nonpublic personal information for marketing, un-
12 derwriting, pricing, or credit eligibility determina-
13 tions, except as otherwise permitted by law.

14 “(5) DEFINITIONS.—In this subsection, the
15 terms ‘artificial intelligence system’, ‘financial insti-
16 tution’, and ‘covered fraud-prevention purpose’ have
17 the meaning given those terms, respectively, in sec-
18 tion 2 of the TRACE Act of 2026.”.

19 (b) AMENDMENTS TO THE FAIR CREDIT REPORTING
20 ACT.—The Fair Credit Reporting Act (15 U.S.C. 1681
21 et seq.) is amended—

22 (1) by inserting after section 623 the following:

1 **“SEC. 623A. FRAUD-PREVENTION INFORMATION-SHARING**
2 **SYSTEMS.**

3 “(a) IN GENERAL.—A fraud-information-sharing sys-
4 tem operated solely for covered fraud-prevention purposes
5 shall not be treated as a consumer reporting agency for
6 purposes of this title.

7 “(b) LIMITATIONS.—Subsection (a) shall apply only
8 if—

9 “(1) information is not used for marketing, un-
10 derwriting, or pricing;

11 “(2) reasonable procedures are maintained to
12 assure accuracy; and

13 “(3) consumers retain any rights otherwise pro-
14 vided under this title when an adverse action is
15 based solely on information obtained through such a
16 system.

17 “(c) COVERED FRAUD-PREVENTION PURPOSE DE-
18 FINED.—In this section, the term ‘covered fraud-preven-
19 tion purpose’ has the meaning given that term in section
20 2 of the TRACE Act of 2026.”; and

21 (2) in the table of contents for such Act, by in-
22 serting after the item relating to section 623 the fol-
23 lowing:

“623A. Fraud-prevention information-sharing systems.”.

24 (c) AMENDMENTS TO THE RIGHT TO FINANCIAL PRI-
25 VACY ACT OF 1978.—Section 1113 of the Right to Finan-

1 cial Privacy Act of 1978 (12 U.S.C. 3413) is amended
2 by adding at the end the following:

3 “(s) FRAUD-PREVENTION INFORMATION SHARING.—

4 “(1) IN GENERAL.—Nothing in this chapter
5 shall prohibit a financial institution from transmit-
6 ting covered information to Federal regulators or
7 law-enforcement agencies through a fraud-informa-
8 tion-sharing system, solely for a covered fraud-pre-
9 vention purpose.

10 “(2) DEFINITIONS.—The terms ‘covered fraud-
11 prevention purpose’ and ‘covered information’ have
12 the meaning given those terms, respectively, in sec-
13 tion 2 of the TRACE Act of 2026.”.