

STATEMENT OF

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on

**“INNOVATION AT THE SPEED OF MARKETS: HOW
REGULATORS KEEP PACE WITH TECHNOLOGY”**

before the

**SUBCOMMITTEE ON
DIGITAL ASSETS, FINANCIAL TECHNOLOGY AND
ARTIFICIAL INTELLIGENCE**

of the

**COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES**

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Chairman Steil, Ranking Member Lynch, and Members of the Subcommittee, I am pleased to appear before you at today's hearing to examine how federal bank regulators are keeping pace with technology and innovation. My name is Ryan Billingsley, and I lead the Division of Risk Management Supervision at the Federal Deposit Insurance Corporation (FDIC).

Innovation and Technology Overview

The FDIC is focused on carrying out its core mission of insuring deposits; promoting the safety and soundness of banks and the stability of our banking system; and resolving failed institutions. Fostering innovation in the banking system and embracing technology in our internal operations are critical to fulfilling these responsibilities.

As technologies like artificial intelligence (AI) and distributed ledger technology are being rapidly developed, deployed, and utilized across the economy, it is essential that we enable banks to adopt these and other technologies while maintaining our expectations that they manage associated risks and conduct their activities in a safe and sound manner. FDIC Chairman Hill has emphasized the importance of taking a technology-neutral, open-minded approach to innovation that strikes the right balance between prudent risk management and evolving with the times.

Over the last year, supervision reform has been a significant area of focus for the FDIC and other federal banking agencies. As part of that multi-prong effort, we have focused on shifting our supervisory approach, including with respect to financial innovation and technology. We are taking steps to support bank experimentation with new technologies without extensive or unnecessary involvement from supervisory staff, including with respect to digital assets and payment stablecoins, which I discuss later in my testimony. We are also considering whether

our regulated banks could benefit from additional guidance on how to engage in legally permissible crypto-related activities in accordance with safety and soundness standards and legal requirements.

We are seeing firsthand how banks are adopting a range of technologies to improve operational efficiencies, expand product offerings to meet customer needs, and enhance customer interactions. Banks have increasingly utilized AI and machine learning in a range of areas, including fraud detection, anti-money laundering and countering the financing of terrorism (AML/CFT) processes, and credit underwriting. For example, some banks have used AI and cash flow data to assist in underwriting for those who may not have access to credit under more traditional underwriting methods. Newer technology such as Generative AI (GenAI) are emerging with the potential to transform many aspects of everyday life. Banks are testing and implementing GenAI in several ways, such as helping bank staff answer customer questions, summarizing customer service calls, writing computer code, and summarizing loan applicant financial information. In the digital assets sector, banks are providing on/off ramp services and payment processing for crypto entities, using stablecoin for card settlement, issuing stablecoin, and providing other services to customers. We expect additional use cases to continue to emerge as banks continue to explore ways to leverage distributed ledger technology. In that vein, tokenized deposits are emerging as a way to leverage distributed ledger technology to meet customer needs for enhanced payment and treasury functions.

Financial Technology

The FDIC is committed to fostering an environment where innovation is encouraged and adopted in a safe and sound manner. As one example of our work in this area, the FDIC is actively working with the Board of Governors of the Federal Reserve System (Federal Reserve)

and the Office of the Comptroller of the Currency (OCC) in reviewing options for the Model Risk Management Guidance.¹ The guidance has often been applied to models that pose no material financial risk to banks. In addition, it imposes significant burdens on small banks and has encouraged supervisory criticisms of policies, procedures, and documentation deficiencies. Since its adoption by the FDIC eight years ago, there has been significant advancement in model technology and model use. As the FDIC and other federal banking agencies take a fresh look at the model risk management guidance, we will seek to support the use of innovative technology and set forth a more tailored, risk-based approach, accounting for the size and complexity of the bank's operations, model reliance, and materiality.

A critical component for a bank's adoption of innovative technologies is the bank's ability to engage and partner with third parties. This can be particularly relevant for small banks that may lack the resources needed to develop or directly implement new technologies on their own. We are evaluating a number of options to reduce regulatory barriers to banks' relationships with third parties, including reevaluating the 2023 Interagency Guidance on Third-Party Relationships.² We have received feedback from institutions and other stakeholders on this topic, which is informing our views of the effectiveness of the guidance. More broadly, the FDIC is working to update all examination guidelines to ensure our focus is on prioritizing material financial risks, including material financial risks posed by third-party relationships.

¹ Federal Deposit Insurance Corporation, [Supervisory Guidance on Model Risk Management](#), FIL-22-2017 (June 7, 2021).

² Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, [Interagency Guidance on Third-Party Relationships: Risk Management](#), FIL-29-2023 (Jun. 6, 2023).

Digital Assets

Under Chairman Hill’s leadership, the FDIC has taken a more constructive and open-minded approach to banks seeking to engage in digital asset-related activities, including stablecoins, while maintaining our supervisory expectation that these activities—just like other bank activities—be conducted in a safe and sound manner. In early 2025, the FDIC rescinded a prior notification requirement for FDIC-supervised institutions, removing a significant barrier to responsible bank participation in permissible crypto-asset activity without FDIC pre-approval.³ The agency also withdrew from several interagency statements that had created uncertainty regarding crypto-assets, considerations surrounding crypto-asset firms, liquidity risk management and the use of permissionless blockchains.⁴

In July 2025, the FDIC and other Federal banking agencies issued a joint statement to clarify supervisory expectations for banks engaged in permissible crypto-asset custody and safekeeping activities on behalf of customers, and the importance of strong risk management.⁵

More recently, the FDIC, together with the Federal Reserve and the OCC, issued answers to “frequently asked questions” addressing the regulatory capital treatment of certain tokenized securities.⁶ The Agencies reaffirmed that the capital framework is technology-neutral—meaning that, in general, tokenized securities receive the same bank capital treatment as their traditional

³ Press Release, Federal Deposit Insurance Corporation, [FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities](#) (Mar. 28, 2025).

⁴ Press Release, Federal Deposit Insurance Corporation, [Agencies Withdraw Joint Statements on Crypto-Assets](#) (Apr. 24, 2025).

⁵ Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, [Crypto-Asset Safekeeping by Banking Organizations](#) (July 14, 2025).

⁶ Press Release, Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, [Agencies Clarify the Capital Treatment of Tokenized Securities](#) (Mar. 5, 2026).

forms of securities. As with any exposure, banking organizations must apply prudent risk management and comply with applicable legal and regulatory requirements.

In July 2025, President Donald Trump signed into law the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act),⁷ establishing a comprehensive regulatory framework for permitted payment stablecoin issuers. Under this framework, the FDIC is the primary Federal payment stablecoin regulator responsible for examining and supervising subsidiaries of insured State nonmember banks and State savings associations (collectively, “FDIC-supervised IDIs”) approved by the FDIC to issue payment stablecoins. In December 2025, the FDIC issued a proposed rule that would establish an application framework for FDIC-supervised IDIs to issue payment stablecoins,⁸ and we expect soon to propose prudential requirements—including tailored requirements related to reserve assets, capital, liquidity, and principles-based risk management requirements—for FDIC-supervised payment stablecoin issuers. We look forward to receiving comments from stakeholders, including Members of this Subcommittee.

Information Technology Program and Operations

IT Modernization

Just as the FDIC must allow banks to adopt new technologies that enhance the efficiency of their operations, it is critical that the FDIC’s own technology adoption keeps pace with leading industry standards and best practices. In furtherance of that objective, the FDIC continues to advance a multi-year Information Technology Modernization initiative designed to

⁷ Pub. L. No. 119-27, 139 Stat. 419 (codified at 12 U.S.C. 5901 – 5916).

⁸ Federal Deposit Insurance Corporation, [Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions](#), 90 Fed. Reg. 59409 (Dec. 19, 2025).

align the agency's technology environment with established Federal priorities, including the Federal Cloud Smart Strategy, the Federal Data Strategy, and evolving Federal cybersecurity directives such as Zero Trust architecture. As part of this initiative, the FDIC is using a cloud platform to build and modernize our risk management supervision business processes. This system, known as Supervision 360, is being built in close collaboration between the FDIC's IT and examination divisions functions and will streamline and automate the FDIC's supervisory processes using modern business process management software. Under this effort, the FDIC will replace the functionality of multiple legacy systems related to core supervisory business processes.

In addition to cloud modernization, the FDIC is currently piloting GenAI technologies for internal staff use and expects to roll those tools out to the FDIC workforce by the middle of the year. We are exploring a number of ways that this technology could assist in innovation across the breadth of FDIC business areas.

Building a Modernized Workforce

The FDIC is actively investing in workforce training to support the adoption of AI and other innovative technologies. These efforts are part of broader initiatives to modernize the agency's operations and ensure employees are equipped to meet evolving business needs.

The FDIC AI Program emphasizes foundational AI literacy for all employees, ensuring they can confidently engage with AI tools and apply them responsibly in their roles. Training covers AI fundamentals, GenAI concepts, and AI governance, while also covering more technical topics like prompt engineering.

Training aligns with the FDIC's overall AI posture to responsibly scale AI projects, modernize mission processes, and enhance operational efficiency while balancing risks. Employees are trained to critically evaluate AI outputs, protect sensitive data, and ensure compliance with ethical and legal standards. Human oversight is emphasized to validate AI-generated content and decisions.

These efforts reflect the FDIC's commitment to fostering an AI-knowledgeable workforce capable of leveraging AI technologies and other technologies to enhance mission delivery and operational effectiveness.

Conclusion

In closing, I would like to thank and acknowledge the team at the FDIC for their dedication, professionalism, and ongoing ability to deliver on the FDIC's mission. It is an honor to be associated with and serve alongside each of them.

I appreciate the opportunity to appear before you today. I am happy to answer any questions you may have.