

Amendment #3 offered by Representative Waters

On page 8, line 43 include the following:

DIGITAL ASSETS, FINANCIAL TECHNOLOGY AND INCLUSION

Digital Assets. The Committee will examine concerns about increased risks of fraud and manipulation with respect to digital assets, including cryptocurrencies and stablecoins. The Committee will review financial regulators’ oversight and enforcement of current law with respect to entities operating in the digital assets marketplace, as well as the policy recommendations put forth by the President’s Working Group on Financial Markets, Financial Stability Oversight Council (FSOC), and other government agencies who have issued reports in response to President Biden’s executive order on digital assets.

Updating Regulatory Approach to Fintech. The Committee will review the existing regulatory framework for licensing and overseeing fintech products and services and will examine what legislation may be needed to properly oversee fintech companies operating within the rapidly evolving intersection of technology and finance.

Faster Payments. The Committee will examine the progress of the Federal Reserve’s real-time payments proposal called “FedNow,” as well as the consumer protection, data privacy, and cyber-security implications of faster payment approaches led by the private sector. Additionally, the Committee will consider how federal regulation over banks and nonbanks operating in the payments space may need to be updated, and whether faster payments will increase financial inclusion for unbanked and underbanked consumers.

Algorithmic Bias and Artificial Intelligence. The Committee will evaluate the challenge of how to assess, identify, and regulate bias in algorithms used by financial institutions for consumer loans and other products. The Committee will examine the decision-making processes utilized in these technologies, and how a lack of transparency can be addressed. The Committee will consider how the use of artificial intelligence may complicate the efforts of human programmers and data scientists to predict how certain programs utilizing machine learning or deep learning will operate in real life.

Cybersecurity, Digital Data, and Privacy. The Committee will study the implications of AI-enabled automation in monitoring and reporting activities, and how they affect our cybersecurity and data privacy. The Committee will investigate the role of regulators in ensuring that information gathered on individuals and used by AI to make decisions appropriately respects individuals’ privacy. Additionally, the Committee will consider how much autonomy AI programs should have in decision-making over individuals’ financial outcomes, especially when it can lead to adverse actions against consumers.

Strengthening transparency and disclosure requirements. The Committee will examine frameworks to strengthen transparency and disclosure requirements for digital assets companies, including financial stability risks, operational risks, and environmental risks. Operational risks users face can include hacks, bugs, and hidden fees. The Committee will explore measures

digital assets companies can take to display accurate network fees, platform fees, exchange rate fees, and more in a single total cost. The Committee will evaluate disclosure practices by digital assets companies including financial statements, disclosures about funding sources, and information about the management team.

Customer Assets and Conflicts of Interest. The Committee will examine safeguards and regulators' powers to prevent the misappropriation and misuse of customer assets and conflicts of interest. The Committee will examine regulators' powers to enforce risk disclosures for arrangements where customers may not receive a full return of their custodied assets. The Committee will evaluate frameworks to prevent the commingling of customer funds with the funds of the digital assets platform. The Committee will examine regulators' powers to mitigate conflicts of interest, especially in circumstances where potential conflicts of interest and interconnections may lead to financial stability vulnerabilities. The Committee will also continue its investigation into the FTX collapse.

Strengthening Penalties and Increasing Law Enforcement Support. In order to support law enforcement and coordination among regulators, the Committee will examine frameworks to strengthen penalties for violating illicit-finance rules and establish bans for cryptocurrency intermediaries against tipping off criminals. The Committee will explore increasing support of law enforcement capacity building.

Financial Stability. The Committee will examine policies and standards relating to any systemic risks posed by digital assets to limit contagion and undue threats to financial stability.

Stablecoins. The Committee will examine regulatory frameworks for payment stablecoins and payment stablecoin arrangements. In light of the policy recommendations put forth by the President's Working Group on Financial Markets, the Committee will consider legislative proposals that address risks to stablecoin users, payment systems, systemic risk, and concentration of economic power, as well as ensure protection against stablecoin runs.

Inclusion. The Committee will evaluate the existing use cases for digital assets to understand their current risks and shortcomings. The Committee will examine claims that the digital assets ecosystem will bolster financial inclusion to prevent the exacerbation of unequal financial services to historically excluded groups.

CBDCs. The Committee will monitor and evaluate the Federal Reserve's research and potential development of a central bank digital currency.