

[DISCUSSION DRAFT]

118TH CONGRESS  
1ST SESSION

H. R. \_\_\_\_\_

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

IN THE HOUSE OF REPRESENTATIVES

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

A BILL

To require certain supervisory agencies to assess their technological vulnerabilities, 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) Depository institutions are susceptible to  
2 near-instantaneous liquidity runs arising from mass  
3 communication and access to digital banking plat-  
4 forms.

5           (2) Banking regulators continue to examine and  
6 monitor depository institutions without access to  
7 real-time information.

8           (3) Bureaucracy and risk surrounding tech-  
9 nology procurement presents a difficult challenge for  
10 updating supervisory technology.

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

16          (5) New technology tools are also necessary in  
17 order for agencies to effectively fulfill mandates  
18 other than prudential supervision, including their  
19 mandates to assure consumer protection and mon-  
20 itor Bank Secrecy Act compliance.

21          (6) Agencies' reliance on outdated technology  
22 creates vulnerabilities for the financial system, caus-  
23 ing—

1 (A) difficulties in collecting, compiling, and  
2 analyzing relevant information about risks and  
3 noncompliance at supervised firms;

4 (B) reliance on information that is inac-  
5 curate, incomplete, or not timely; reliance on  
6 limited and outdated tools for data analysis;

7 (C) difficulties in using data to identify  
8 risk trends;

9 (D) difficulty in producing accurate and  
10 timely reports;

11 (E) inadequacy of cybersecurity safe-  
12 guards; and

13 (F) failure to detect illegal activities.

14 (7) The rapid expansion of financial firms' use  
15 of artificial intelligence is generating opportunities  
16 to improve the financial system, making it essential  
17 that agencies be equipped with the technology and  
18 skills needed to analyze these opportunities and po-  
19 tential risks.

20 (8) While agencies assess their supervisory ca-  
21 pabilities on an ongoing basis, it is imperative that  
22 there be a unified goal to enhancing supervisory  
23 technologies that ensures effective and sustainable  
24 oversight in the digital age.

1 **SEC. 3. TECHNOLOGICAL VULNERABILITIES AND PRO-**  
2 **UREMENT PRACTICES ASSESSMENT.**

3 (a) IN GENERAL.—

4 (1) TECHNOLOGICAL VULNERABILITIES ASSESS-  
5 MENT.—Each covered agency shall, not later than  
6 180 days after the date of the enactment of this sec-  
7 tion, assess how its existing technological systems  
8 prevent an agency from conducting real-time super-  
9 visory assessments over entities which the covered  
10 agency has supervisory authority, including the ef-  
11 fects stemming from the agency’s—

12 (A) core information technology infrastruc-  
13 ture;

14 (B) technology used to supervise entities,  
15 including supervisory technology tools; and

16 (C) technology for monitoring general mar-  
17 ket risks using reported data and external data.

18 (2) PROCUREMENT PRACTICES ASSESSMENT.—

19 Each covered agency shall, not later than 180 days  
20 after the date of the enactment of this section, as-  
21 sess the procurement rules and protocols adhered to  
22 by such covered agency when such covered agency  
23 acquires or develops new technological systems and  
24 identify any challenges created by such procurement  
25 rules and protocols, including the impact such rules

1 or protocols have on the ability of the covered agen-  
2 cy to test new technological systems.

3 (b) REPORT.—Not later than 180 days after the com-  
4 pletion of the assessments set forth in this section, and  
5 every 5 years thereafter, the covered agencies shall coordi-  
6 nate and submit to the Committee on Financial Services  
7 of the House of Representatives and the Committee on  
8 Banking, Housing, and Urban Affairs of the Senate a re-  
9 port that includes the following with respect to each cov-  
10 ered agency—

11 (1) a general overview of hardware and soft-  
12 ware used for informational gathering during super-  
13 vision activities, including products purchased from  
14 technology vendors and products developed by the  
15 covered agency or contractors;

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

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

21 (B) any challenges resulting from such  
22 practices and protocols that have hindered the  
23 ability of the covered agency to obtain new  
24 technology;

1           (3) a general overview of the agency’s workforce  
2 engaged primarily in technology development within  
3 the covered agency, including—

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

7           (B) a description of the degree to which  
8 the covered agency relies on outside contractors  
9 to design technology and perform technology-re-  
10 lated tasks;

11          (4) a description of the processes used by the  
12 covered agency to obtain information from entities  
13 supervised by the covered agency and general infor-  
14 mation about market trends and risks;

15          (5) a description of the ways in which the cov-  
16 ered agency shares information with other covered  
17 agencies;

18          (6) an evaluation of the level of ease or dif-  
19 ficulty experienced by the covered agency when—

20           (A) sharing data with other government  
21 agencies; and

22           (B) collecting data from entities supervised  
23 by the covered agency; and

24          (7) a description of any plans the covered agen-  
25 cy has with respect to how the covered agency will

1 implement future upgrades to the technology used  
2 by the covered agency to supervise entities super-  
3 vised by the covered agency, including—

4 (A) a general description of any planned  
5 upgrades;

6 (B) the anticipated timeline of any planned  
7 upgrades;

8 (C) the costs of any planned upgrades;

9 (D) any concerns about access to needed  
10 resources;

11 (E) intended efforts for hiring and training  
12 individuals as part of any technological up-  
13 grades;

14 (F) any aspects of any plan that should be  
15 addressed on an interagency basis; and

16 (G) any anticipated challenges and solu-  
17 tions associated with entities supervised by the  
18 agency adapting to new reporting requirements,  
19 including the needs and plans for supervised en-  
20 tities adaptation to new reporting requirements,  
21 including estimates of transition costs and po-  
22 tential cost reductions over time.

23 (c) COVERED AGENCY DEFINED.—The term “cov-  
24 ered agency” means the Federal Reserve System, Federal  
25 Deposit Insurance Corporation, Office of the Comptroller

1 of the Currency, Consumer Financial Protection Bureau  
2 and the National Credit Union Administration.