

Union Calendar No. 615

118TH CONGRESS
2^D SESSION

H. R. 7437

[Report No. 118-728]

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

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 23, 2024

Mrs. HOUCHIN (for herself, Mr. FOSTER, and Mr. HILL) introduced the following bill; which was referred to the Committee on Financial Services

NOVEMBER 1, 2024

Additional sponsor: Ms. PETERSEN

NOVEMBER 1, 2024

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italics]

[For text of introduced bill, see copy of bill as introduced on February 23, 2024]

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:*

9 *(1) Banking regulators continue to examine and*
10 *monitor depository institutions without access to real-*
11 *time information.*

12 *(2) Risk surrounding technology procurement*
13 *may present challenges for updating supervisory tech-*
14 *nology.*

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

20 *(4) New technological tools are also necessary in*
21 *order for agencies to effectively fulfill mandates other*
22 *than prudential supervision, including their man-*
23 *dates to assure consumer protection and monitor*
24 *Bank Secrecy Act compliance.*

1 (5) *Agencies' reliance on outdated technology cre-*
2 *ates vulnerabilities for the financial system, caus-*
3 *ing—*

4 (A) *difficulties in collecting, compiling, and*
5 *analyzing relevant information about risks and*
6 *noncompliance at supervised firms;*

7 (B) *reliance on information that is inac-*
8 *curate, incomplete, or not timely;*

9 (C) *reliance on limited and outdated tools*
10 *for data analysis;*

11 (D) *difficulties in using data to identify*
12 *risk trends;*

13 (E) *difficulties in producing accurate and*
14 *timely reports;*

15 (F) *inadequacy of cybersecurity safeguards;*

16 *and*

17 (G) *failure to detect illegal activities.*

18 (6) *The rapid expansion of financial firms' use*
19 *of artificial intelligence may generate opportunities to*
20 *improve the financial system while also introducing*
21 *a range of risks, making it essential that agencies be*
22 *equipped with the technology and skills needed to*
23 *analyze these opportunities and potential risks.*

24 (7) *While agencies assess their supervisory capa-*
25 *bilities on an ongoing basis, it is imperative that*

1 *there be a unified goal to enhancing supervisory tech-*
2 *nologies that ensures effective and sustainable over-*
3 *sight in the digital age.*

4 **SEC. 3. TECHNOLOGICAL VULNERABILITIES AND PROCURE-**
5 **MENT PRACTICES ASSESSMENT.**

6 *(a) IN GENERAL.—*

7 *(1) TECHNOLOGICAL VULNERABILITIES ASSESS-*
8 *MENT.—Each covered agency shall, not later than 180*
9 *days after the date of the enactment of this section,*
10 *assess how existing technological systems used by the*
11 *covered agency prevent the covered agency from con-*
12 *ducting real-time supervisory assessments of entities*
13 *over which the covered agency has supervisory author-*
14 *ity, including effects stemming from—*

15 *(A) core information technology infrastruc-*
16 *ture;*

17 *(B) technology used to supervise entities, in-*
18 *cluding supervisory technological tools; and*

19 *(C) technology for monitoring general mar-*
20 *ket risks using reported data and external data.*

21 *(2) PROCUREMENT PRACTICES ASSESSMENT.—*
22 *Each covered agency shall, not later than 180 days*
23 *after the date of the enactment of this section—*

24 *(A) assess the procurement rules and proto-*
25 *cols adhered to by such covered agency when such*

1 covered agency acquires or develops new techno-
2 logical systems; and

3 (B) identify any challenges created by such
4 procurement rules and protocols, including the
5 impact such rules or protocols have on the abil-
6 ity of the covered agency to test new techno-
7 logical systems.

8 (b) *REPORT.*—Not later than 1 year after the comple-
9 tion of the assessments required under subsection (a), and
10 every 5 years thereafter, the covered agencies shall coordi-
11 nate and jointly submit to the Committee on Financial
12 Services of the House of Representatives and the Committee
13 on Banking, Housing, and Urban Affairs of the Senate a
14 report that includes the following with respect to each cov-
15 ered agency—

16 (1) a general overview of hardware and software
17 used for information gathering and advanced ana-
18 lytics during supervision activities, including prod-
19 ucts purchased from technology vendors and products
20 developed by the covered agency or contractors of the
21 covered agency;

22 (2) a description of the procurement practices
23 and protocols of the covered agency, including a de-
24 scription of—

1 (A) whether such processes are voluntarily
2 adhered to or mandated; and

3 (B) any challenges resulting from such
4 practices and protocols and relevant factors, if
5 any, that have impacted the covered agency's
6 ability to obtain new technology;

7 (3) a general overview of the portion of workforce
8 of the covered agency that is engaged primarily in
9 technology development within the covered agency, in-
10 cluding—

11 (A) an overview of the ability of the covered
12 agency to recruit and retain appropriate tech-
13 nology experts;

14 (B) employee self-reported workforce data;
15 and

16 (C) a description of the degree to which the
17 covered agency relies on contractors to design,
18 develop, or deploy technology and perform tech-
19 nology-related tasks;

20 (4) a description of the processes used by the cov-
21 ered agency to obtain information from entities su-
22 pervised by the covered agency and general informa-
23 tion about market trends and risks;

1 (5) a description of the ways in which the cov-
2 ered agency shares information or system access with
3 other covered agencies;

4 (6) an evaluation of the level of ease or difficulty
5 experienced by the covered agency, including any
6 legal or regulatory challenges, when—

7 (A) sharing data with other government
8 agencies; or

9 (B) collecting data from entities supervised
10 by the covered agency;

11 (7) an evaluation of cost for supervised entities
12 to modify systems to share data with covered agencies;
13 and

14 (8) a description of any plans the covered agency
15 has that relate to how the covered agency will imple-
16 ment future upgrades to the technology used by the
17 covered agency to supervise entities supervised by the
18 covered agency, including—

19 (A) a general description of any planned
20 upgrades;

21 (B) the anticipated timeline for any
22 planned upgrades;

23 (C) the costs of any planned upgrades;

24 (D) any concerns about access to needed re-
25 sources;

1 (E) intended efforts for hiring and training
2 individuals as part of any technological up-
3 grades;

4 (F) any aspects of any planned upgrades
5 that should be addressed on an interagency basis;
6 and

7 (G) any anticipated challenges and solu-
8 tions associated with entities supervised by the
9 covered agency adapting to new reporting re-
10 quirements, including—

11 (i) estimates of transition costs; and

12 (ii) estimates of any potential cost re-
13 ductions.

14 (c) COVERED AGENCY DEFINED.—In this section, the
15 “covered agency” means the Board of Governors of the Fed-
16 eral Reserve System, the Federal Deposit Insurance Cor-
17 poration, Office of the Comptroller of the Currency, the Bu-
18 reau of Consumer Financial Protection, and the National
19 Credit Union Administration.

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