

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO H.R. 7437  
OFFERED BY MRS. HOUCHIN OF INDIANA**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Fostering the Use of  
3 Technology to Uphold Regulatory Effectiveness in Super-  
4 vision Act”.

**5 SEC. 2. FINDINGS.**

6       Congress finds the following:

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

10          (2) Risk surrounding technology procurement  
11 may present challenges for updating supervisory  
12 technology.

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

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

6           (5) Agencies' reliance on outdated technology  
7 creates vulnerabilities for the financial system, caus-  
8 ing—

9                   (A) difficulties in collecting, compiling, and  
10 analyzing relevant information about risks and  
11 noncompliance at supervised firms;

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14 limited and outdated tools for data analysis;

15                   (C) difficulties in using data to identify  
16 risk trends;

17                   (D) difficulty in producing accurate and  
18 timely reports;

19                   (E) inadequacy of cybersecurity safe-  
20 guards; and

21                   (F) failure to detect illegal activities.

22           (6) The rapid expansion of financial firms' use  
23 of artificial intelligence may generate opportunities  
24 to improve the financial system while also intro-  
25 ducing a range of risks, making it essential that

1 agencies be equipped with the technology and skills  
2 needed to analyze these opportunities and potential  
3 risks.

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

9 **SEC. 3. TECHNOLOGICAL VULNERABILITIES AND PRO-**  
10 **CUREMENT PRACTICES ASSESSMENT.**

11 (a) IN GENERAL.—

12 (1) TECHNOLOGICAL VULNERABILITIES ASSESS-  
13 MENT.—Each covered agency shall, not later than  
14 180 days after the date of the enactment of this sec-  
15 tion, assess how existing technological systems used  
16 by the covered agency prevent the covered agency  
17 from conducting real-time supervisory assessments  
18 over the entities over which the covered agency has  
19 supervisory authority, including effects stemming  
20 from—

21 (A) core information technology infrastruc-  
22 ture;

23 (B) technology used to supervise entities,  
24 including supervisory technology tools; and

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

3 (2) PROCUREMENT PRACTICES ASSESSMENT.—

4 Each covered agency shall, not later than 180 days  
5 after the date of the enactment of this section—

6 (A) assess the procurement rules and pro-  
7 tocols adhered to by such covered agency when  
8 such covered agency acquires or develops new  
9 technological systems; and

10 (B) identify any challenges created by such  
11 procurement rules and protocols, including the  
12 impact such rules or protocols have on the abil-  
13 ity of the covered agency to test new techno-  
14 logical systems.

15 (b) REPORT.—Not later than 1 year after the comple-  
16 tion of the assessments required under subsection (a), and  
17 every 5 years thereafter, the covered agencies shall coordi-  
18 nate and jointly submit to the Committee on Financial  
19 Services of the House of Representatives and the Com-  
20 mittee on Banking, Housing, and Urban Affairs of the  
21 Senate a report that includes the following with respect  
22 to each covered agency—

23 (1) a general overview of hardware and soft-  
24 ware used for information gathering and advanced  
25 analytics during supervision activities, including

1 products purchased from technology vendors and  
2 products developed by the covered agency or contrac-  
3 tors of the covered agency;

4 (2) a description of the procurement practices  
5 and protocols of the covered agency, including a de-  
6 scription of—

7 (A) whether such processes are voluntarily  
8 adhered to or mandated; and

9 (B) any challenges resulting from such  
10 practices and protocols and relevant factors, if  
11 any, that have impacted the covered agency's  
12 ability to obtain new technology;

13 (3) a general overview of the portion of work-  
14 force of the covered agency that is engaged primarily  
15 in technology development within the covered agen-  
16 cy, including—

17 (A) an overview of the ability of the cov-  
18 ered agency to recruit and retain appropriate  
19 technology experts; and

20 (B) a description of the degree to which  
21 the covered agency relies on contractors to de-  
22 sign, develop, or deploy technology and perform  
23 technology-related tasks;

24 (4) a description of the processes used by the  
25 covered agency to obtain information from entities

1 supervised by the covered agency and general infor-  
2 mation about market trends and risks;

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

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

8 (A) sharing data with other government  
9 agencies; and

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

12 (7) a description of any plans the covered agen-  
13 cy has that relate to how the covered agency will im-  
14 plement future upgrades to the technology used by  
15 the covered agency to supervise entities supervised  
16 by the covered agency, including—

17 (A) a general description of any planned  
18 upgrades;

19 (B) the anticipated timeline for any  
20 planned upgrades;

21 (C) the costs of any planned upgrades;

22 (D) any concerns about access to needed  
23 resources;

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  
6 basis; 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;

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

14 (c) COVERED AGENCY DEFINED.—The term “cov-  
15 ered agency” includes the Federal Reserve System, Fed-  
16 eral Deposit Insurance Corporation, Office of the Comp-  
17 troller of the Currency, Consumer Financial Protection  
18 Bureau and the National Credit Union Administration.

