

119TH CONGRESS
2D SESSION

S. 5358

To amend the Financial Stability Act of 2010 to provide the Financial Stability Oversight Council with duties regarding artificial intelligence in the financial sector, and for other purposes.

IN THE SENATE OF THE UNITED STATES

AUGUST 6, 2026

Mr. WARNER (for himself and Mr. KENNEDY) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Financial Stability Act of 2010 to provide the Financial Stability Oversight Council with duties regarding artificial intelligence in the financial sector, 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 “Financial Artificial In-
5 telligence Risk Reduction Act” or the “FAIRR Act”.

1 **SEC. 2. SPECIAL PROVISIONS REGARDING ARTIFICIAL IN-**
2 **TELLIGENCE IN THE FINANCIAL SECTOR.**

3 (a) IN GENERAL.—Subtitle A of the Financial Sta-
4 bility Act of 2010 (12 U.S.C. 5321 et seq.) is amended
5 by adding at the end the following:

6 **“SEC. 126. SPECIAL PROVISIONS REGARDING ARTIFICIAL**
7 **INTELLIGENCE IN THE FINANCIAL SECTOR.**

8 “(a) DEFINITION.—In this section, the term ‘artifi-
9 cial intelligence’ has the meaning given the term in section
10 5002 of the National Artificial Intelligence Initiative Act
11 of 2020 (15 U.S.C. 9401).

12 “(b) COORDINATION, REPORT, AND RECOMMENDA-
13 TIONS.—The Council shall coordinate with member agen-
14 cies with regard to potential risks to the stability of the
15 financial system posed by artificial intelligence, includ-
16 ing—

17 “(1) direct the Office of Financial Research, as
18 appropriate, to conduct research into the uses of ar-
19 tificial intelligence by financial institutions and enti-
20 ties providing services to or performing functions on
21 behalf of financial institutions;

22 “(2) identify threats to the stability of the fi-
23 nancial system posed by the use of artificial intel-
24 ligence tools and technologies, such as—

25 “(A) the generation and use of false rep-
26 resentations of events or the likeness, speech, or

1 actions of persons by malign actors to manipu-
2 late financial markets, institutions, or instru-
3 ments, or to cause disruption in financial mar-
4 kets;

5 “(B) agent deployment and development,
6 including specific gaps in existing laws (includ-
7 ing regulations) regarding liability for financial
8 institutions and consumers for unauthorized
9 transactions that could be initiated or com-
10 pleted by agents, including the fragility, if any,
11 created by the concentration of economic activ-
12 ity, capital formation, and decision-making con-
13 cerning artificial intelligence infrastructure pro-
14 viders; and

15 “(C) any other acts or practices associated
16 with the use or assistance of artificial intel-
17 ligence tools or technologies that threaten the
18 stability of the financial system;

19 “(3) not later than 180 days after the date of
20 enactment of this section, in consultation with the
21 member agencies, financial institutions, securities
22 market participants, and entities providing services
23 to or performing functions on behalf of financial in-
24 stitutions or securities markets participants, submit
25 to the Committee on Banking, Housing, and Urban

1 Affairs of the Senate and the Committee on Finan-
2 cial Services of the House of Representatives a re-
3 port that—

4 “(A) identifies the threats described in
5 paragraph (2);

6 “(B) the training, development, deploy-
7 ment, and proliferation of artificial intelligence
8 tools and technologies that are particularly suit-
9 ed for cybersecurity tasks, including specific ap-
10 titudes for identifying vulnerabilities and devel-
11 oping tools and techniques to exploit such
12 vulnerabilities;

13 “(C) identifies specific gaps in the existing
14 regulations, guidance, and examination stand-
15 ards of the member agencies that prevent effec-
16 tive and comprehensive responses by each of the
17 member agencies to the threats described in
18 paragraph (2); and

19 “(D) makes specific recommendations for
20 addressing the gaps identified in subparagraph
21 (B), including, as appropriate, recommenda-
22 tions regarding implementation of the rec-
23 ommendations in the Cybersecurity Information
24 Sheet published by the National Security Agen-
25 cy, Federal Bureau of Investigation, and Cyber-

1 security and Infrastructure Security Agency on
2 September 12, 2023; and

3 “(4) identify, as appropriate, opportunities for
4 the use of artificial intelligence technologies in finan-
5 cial regulation and supervision, specifying that any
6 use of artificial intelligence by the agencies in regu-
7 lation and supervision should be transparent and
8 disclosed to their regulated entities as appropriate.

9 “(c) CONGRESSIONAL REVIEW.—Not later than 30
10 days after the date on which the relevant congressional
11 committees receive the report required under subsection
12 (a), the committees shall review the report and submit
13 comments and recommendations thereon.

14 “(d) IMPLEMENTATION OF COUNCIL RECOMMENDA-
15 TIONS.—

16 “(1) IN GENERAL.—Upon review of comments
17 and recommendations under subsection (c), the
18 Council shall commence action under the procedures
19 prescribed in section 120 with regard to implementa-
20 tion of the recommendations by each of the member
21 agencies.

22 “(e) CONGRESSIONAL REVIEW ACT.—The provisions
23 of chapter 8 of title 5, United States Code, shall apply
24 as appropriate to rules issued by the member agencies
25 under this section.

1 “(f) SCENARIO-BASED EXERCISES.—The Federal
 2 and Banking Information Infrastructure Committee spon-
 3 sored by the President’s Working Group on Financial
 4 Markets shall, in consultation with private-sector entities
 5 and other relevant governmental entities—

6 “(1) initiate a series of scenario-based exercises
 7 to test the effectiveness of defenses against financial
 8 market disruptions associated with the use or assist-
 9 ance of artificial intelligence technologies; and

10 “(2) make recommendations for ongoing im-
 11 provements in detection, prevention, and mitigation
 12 of such disruptions.”.

13 (b) TECHNICAL AND CONFORMING AMENDMENT.—
 14 The table of sections for the Dodd-Frank Wall Street Re-
 15 form and Consumer Protection Act (12 U.S.C. 5301) is
 16 amended by inserting after the item relating to section
 17 125 the following:

“126. Special provisions regarding artificial intelligence in the financial sector.”.

18 **SEC. 3. ENHANCED AUTHORITY TO OVERSEE THIRD-PARTY**
 19 **PROVIDERS OF ARTIFICIAL INTELLIGENCE**
 20 **AND OTHER SERVICES TO FINANCIAL INSTI-**
 21 **TUTIONS.**

22 Section 206A of the Federal Credit Union Act (12
 23 U.S.C. 1786a) is amended—

24 (1) in subsection (a)(1), by striking “that” and
 25 inserting “an”;

1 (2) in subsection (c)(2), in the matter preceding
 2 subparagraph (A), by inserting “, in a manner and
 3 method prescribed by the Board,” after “Board”;
 4 and
 5 (3) by striking subsection (f).

6 **SEC. 4. REGULATION OF SERVICE PROVIDERS BY THE FED-**
 7 **ERAL HOUSING FINANCE AGENCY.**

8 Subpart A of part 2 of subtitle A of the Federal
 9 Housing Enterprises Financial Safety and Soundness Act
 10 of 1992 (12 U.S.C. 4541 et seq.) is amended by adding
 11 at the end the following:

12 **“SEC. 1329. REGULATION AND EXAMINATION OF CERTAIN**
 13 **SERVICE PROVIDERS.**

14 “Whenever a regulated entity or the Office of Fi-
 15 nance causes to be performed for itself, by contract or oth-
 16 erwise, any activity that is permissible for the regulated
 17 entity or the Office of Finance, whether on or off its prem-
 18 ises—

19 “(1) such performance shall be subject to regu-
 20 lation and examination by the Director to the same
 21 extent as if such activity were being performed by
 22 such entity or Office itself on its own premises; and

23 “(2) the regulated entity or Office of Finance
 24 shall notify the Director of the existence of the serv-

1 ice relationship not later than 30 days after the ear-
 2 lier of—

3 “(A) making of such service contract; or

4 “(B) the performance of the activity by the
 5 service provider.”.

6 **SEC. 5. SEC RULEMAKING ON ARTIFICIAL INTELLIGENCE.**

7 Section 3 of the Securities Exchange Act of 1934 (15
 8 U.S.C. 78c) is amended by adding at the end the fol-
 9 lowing:

10 “(i) RULEMAKING REGARDING ARTIFICIAL INTEL-
 11 LIGENCE.—

12 “(1) DEFINITIONS.—In this subsection:

13 “(A) ARTIFICIAL INTELLIGENCE.—The
 14 term ‘artificial intelligence’ has the meaning
 15 given the term in section 5002 of the National
 16 Artificial Intelligence Initiative Act of 2020 (15
 17 U.S.C. 9401).

18 “(B) COVERED PERSON.—The term ‘cov-
 19 ered person’—

20 “(i) means a person that is required
 21 by a provision of this title, or by a rule or
 22 regulation under this title, to maintain
 23 policies, procedures, or controls; and

24 “(ii) includes—

1 “(I) an issuer that has a class of
2 securities registered pursuant to sec-
3 tion 12;

4 “(II) an issuer that is required to
5 file reports under section 15(d);

6 “(III) a broker;

7 “(IV) a dealer;

8 “(V) a security-based swap deal-
9 er; and

10 “(VI) a self-regulatory organiza-
11 tion.

12 “(2) REQUIREMENT.—

13 “(A) IN GENERAL.—Not later than 180
14 days after the enactment of this section the
15 Commission shall, by rule or regulation, impose
16 specific requirements on each covered person to
17 ensure that the policies, procedures, or controls
18 described in paragraph (1)(B)(i) maintained by
19 the covered person—

20 “(i) address the use of artificial intel-
21 ligence by the covered person; and

22 “(ii) are reasonably designed to en-
23 sure compliance with the requirements of
24 this title.

“(B) PROCEDURES.—In carrying out subparagraph (A), the Commission shall—

“(i) identify and require governance measures with respect to testing, deployment, monitoring, human oversight, permissions, escalation procedures, and use limitations applicable to artificial intelligence systems; and

“(ii) consider the extent to which—

“(I) artificial intelligence systems are developed, controlled, modified, or operated by a covered person as compared to third-party providers; and

“(II) control is exercised by a covered person over the actions of artificial intelligence systems.”.

SEC. 6. RULES OF CONSTRUCTION.

(a) DEFINITIONS.—

(1) ARTIFICIAL INTELLIGENCE.—The term “artificial intelligence” has the meaning given the term in section 5002 of the National Artificial Intelligence Initiative Act of 2020 (15 U.S.C. 9401).

(2) SECURITIES LAWS.—The term “securities laws” has the meaning given the term in section

1 3(a) of the Securities Exchange Act of 1934 (15
2 U.S.C. 78c(a)).

3 (b) RULES.—Nothing in this Act, or any amendment
4 made by this Act, may be construed to—

5 (1) limit the securities laws such that artificial
6 intelligence may be used in a manner that would
7 contravene any of the securities laws; or

8 (2) provide that the use of artificial intelligence
9 excuses compliance with any obligation under the se-
10 curities laws.

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