

**Council of Inspectors General on Financial Oversight (CIGFO)**  
**June 25, 2024**  
**Video Conference Call**  
**10:00 a.m.**  
**Meeting Minutes**

**Council Members Present**

Rich Delmar, Acting Chair, Acting Inspector General, Department of the Treasury (Treasury)  
James Hagen, Inspector General, National Credit Union Administration (NCUA)  
Brian Tomney, Inspector General, Federal Housing Finance Agency (FHFA)  
Jennifer Fain, Inspector General, Federal Deposit Insurance Corporation (FDIC)  
Christopher Skinner, Inspector General, Commodity Futures Trading Commission  
Deborah Jeffrey, Inspector General, U.S. Securities and Exchange Commission (SEC)  
Christopher Fontanesi, Senior Counsel, U.S. Department of Housing and Urban Development, Office of Inspector General (OIG)  
Fred Gibson, Deputy Inspector General, Board of Governors of the Federal Reserve System (Board)/Consumer Financial Protection Bureau (CFPB)

**Guests**

Jacqueline Becker, Senior Advisor and Senior Associate Inspector General, Board/CFPB OIG  
Tyler Smith, Deputy Inspector General, FDIC OIG  
Katherine Reilly, Deputy Inspector General for Investigations (Acting), SEC OIG  
James Lisle, Audit Director, FHFA OIG  
Debbie Harker, Assistant Inspector General for Audit, Treasury OIG  
Susan Barron, Deputy Assistant Inspector General for Audit, Treasury OIG  
Jeffrey Hawkins, Audit Director, Treasury OIG  
Amy Altemus, Acting Counsel to the Inspector General, Treasury OIG  
Camille Callender, Assistant Counsel, Treasury OIG

At 10:00 a.m., Rich Delmar, Acting Chair, called the meeting to order and welcomed everyone. Mr. Delmar congratulated Mr. Christopher Skinner on becoming the new Inspector General for the Commodity Futures Trading Commission (CFTC) and welcomed him to CIGFO.

Mr. Delmar then informed the group that the Special Inspector General, Troubled Asset Relief Program (SIGTARP) has sunset and the office has ceased operations. SIGTARP will no longer be a member of CIGFO.

Mr. Delmar provided a brief update on the status of the pending nomination of James Ives to be Treasury Inspector General. The nomination has been moved out of

committee and advanced to the Senate. It is unknown when the nomination will be placed on the Senate calendar for a vote.

Mr. Delmar then asked for consideration of the March 13, 2024, meeting minutes and asked if the members had any corrections or additions. Hearing none, Mr. Delmar called for a motion to approve the minutes which was made and seconded. The minutes were approved by unanimous consent.

Mr. Jeffrey Hawkins, Treasury OIG, then updated the group on the CIGFO Working Group project, the *Financial Stability Oversight Council's (FSOC) Guidance on Designation of Nonbank Financial Companies*. The working group anticipates issuing an engagement memorandum to FSOC in July. The core team has begun some planning activities and will meet with the broader working group after the engagement memorandum is issued.

Ms. Amy Altemus, Treasury OIG, provided an update on legislative developments and other issues. She briefly discussed a request for information (RFI) published by Treasury on June 12, 2024. The RFI requests information and comment on the uses, opportunities, and risk(s) presented by the development and application of artificial intelligence (AI) within the financial sector. The RFI notes that the rapidly evolving use of AI may impact the financial services sector and requests information to inform any potential policy deliberations or actions. The RFI highlighted particular areas of interest such as the use of AI in financial services in the provision of products and services, risk management, capital markets, internal operations, customer service, regulatory compliance, and marketing. The RFI expressed concern that the use of AI in financial services could negatively impact consumers and complicate compliance efforts for financial institutions. The comment period closes on August 12, 2024.

Ms. Altemus also discussed Treasury's *2024 National Strategy for Combating Terrorist and Other Illicit Financing* which noted that AI has significant potential to strengthen anti-money laundering compliance by helping financial institutions analyze large amounts of data and more effectively identify illicit finance patterns and trends. The report also recognized recent work by the CFTC and SEC. Both have issued a request for comment and proposed rule on current and potential uses of AI in areas regulated by those entities. It follows in the footsteps of the Federal Reserve, FDIC, CFPB, Office of the Comptroller of the Currency, and NCUA, which issued an interagency RFI in 2021 on the use of AI by financial institutions.

Ms. Altemus then discussed recent remarks given by the Financial Crimes Enforcement Network (FinCEN) Director on FinCEN's Identity Project. In a recent report that examined Bank Secrecy Act (BSA) data from 2021, analysts identified trends using roughly 2.4 million identity-related BSA reports and found some interesting data. For instance, the report found that attackers most frequently use impersonation tactics to exploit identity processes. This is followed by leveraging compromised credentials for

unauthorized access during authentication, and finally, evading detection by circumventing verification. This could happen by using incorrect or forged identity documents. The report noted that the bulk of these exploitations occurred in depository institutions.

Ms. Altemus closed her presentation by updating a case discussed at the March CIGFO meeting regarding the Corporate Transparency Act (CTA) rules issued by FinCEN. The District Court for the Northern District of Alabama had found FinCEN's rules implementing the CTA to be unconstitutional. The United States filed a timely appeal in the U.S. Court of Appeals for the 11<sup>th</sup> Circuit alleging that the District Court had committed error by misconstruing the reach and application of the CTA and reiterating case law supporting the rule and legislation as valid exercises of Congressional authority under the Necessary and Proper Clause for executing national policy regarding Congress' power to regulate commerce, foreign affairs and commerce, and taxation. The case is tentatively scheduled for oral argument during the week of September 23, 2024.

The next item on the agenda was the CIGFO Annual Report. Mr. Jeffrey Hawkins, Treasury OIG, discussed the status of the report. To date, all individual submissions have been received and a draft report was developed and circulated among the CIGFO offices resulting in some additional minor edits. Treasury OIG is now preparing the final draft which is anticipated to be complete next week. At which time, the final draft will be sent to the CIGFO members for their final review and vote to approve the report for issuance. Once approved, Treasury OIG will prepare and issue the final report. At this time, CIGFO is on target for issuance in July.

A motion was made and seconded to adjourn and was approved by all.

The meeting adjourned at 10:20 a.m.