Council of Inspectors General on Financial Oversight (CIGFO)
September 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)

Mark Bialek, Inspector General, Board of Governors of the Federal Reserve System (Board)/Consumer Financial Protection Bureau (CFPB)

Christopher Skinner, Inspector General, Commodity Futures Trading Commission (CFTC)

Helen Albert, Deputy Inspector General for Operations and Management, U.S. Securities and Exchange Commission (SEC), Office of Inspector General (OIG)

Stephen Begg, Deputy Inspector General, U.S. Department of Housing and Urban Development OIG

Jon Lebruto, Chief of Staff, Federal Deposit Insurance Corporation (FDIC) OIG

James Lisle, Audit Director, Federal Housing Finance Agency (FHFA) OIG

Guests

Jacqueline Becker, Senior Advisor and Senior Associate Inspector General, Board/CFPB 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

Camille Callender, Assistant Counsel, Treasury OIG

Alexander Leblang, Policy Analyst, Treasury Office of Cybersecurity and Critical Infrastructure Protection (OCCIP)

Lalita Bolden, Acting Director, Intelligence and Resilience, Treasury OCCIP

Amanda Shulak, Attorney-Advisor, Treasury Office of the General Counsel - Banking and Finance

At 10:00 a.m., Rich Delmar, Acting Chair, called the meeting to order and welcomed everyone. Mr. Delmar informed the group that there has been no movement on the pending Treasury Inspector General nomination.

Mr. Delmar then asked for consideration of the June 25, 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. Delmar then introduced Alexander Leblang and Lalita Bolden from Treasury's Office of Cybersecurity and Critical Infrastructure Protection (OCCIP) who then presented an overview of OCCIP and current activities. OCCIP was established in 2001, following the September 11 terrorist attacks. OCCIP executes Treasury's Sector Risk Management Agency (SRMA) responsibilities for the financial services sector and as such, coordinates Treasury's efforts to enhance the security and resilience of financial services sector critical infrastructure and reduce operational risk. The office works closely with financial sector companies, industry groups, and government partners to share information about cybersecurity and physical threats and vulnerabilities, encourage the use of baseline protections and best practices, and respond to and recover from significant incidents. OCCIP also supports the Financial and Banking Information and Infrastructure Committee (FBIIC) which is chaired by Treasury, and the Financial Services Sector Coordinating Council (FSSCC).

Mr. Leblang then discussed the March 2024 report issued by Treasury entitled, *Managing Artificial Intelligence – Specific Cybersecurity Risks in the Financial Services Sector*. The report was prepared in response to Executive Order 14110: *Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence.* He presented highlights of the Treasury report that discussed the current U.S. regulatory framework for artificial intelligence (AI) in financial services; current AI use cases in cybersecurity and risk management/fraud protection as used in the financial services sector; and some examples of cybersecurity and fraud threats. He also discussed best practices for managing AI-specific cyber risk and concluded with a summary of the significant challenges and opportunities the report included. Mr. Leblang also gave a summary of other work Treasury is doing in the AI space, including OCCIP's engagement with the Financial Stability Oversight Council (FSOC). OCCIP contributes to FSOC working groups, provides input as requested on FSOC reports and is increasing its collaboration with FSOC on AI and AI-related issues. Mr. Delmar thanked OCCIP for the presentation.

Mr. Delmar then addressed the next item on the agenda, Presidential Transition Planning. Treasury has initiated transition planning. In 2020, CIGFO developed and published the *CIGFO Presidential Handbook*. Mr. Delmar suggested that CIGFO consider updating the 2020 handbook for the 2024 transition. Treasury OIG will coordinate the update and submission to Treasury.

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*. Since the June update, the working group issued an engagement memorandum to FSOC and held a working group meeting

to discuss the audit objectives and general approach. On September 24, the Working Group held an entrance conference with FSOC.

Following the meeting, the Working Group finalized a document request which includes a request to provide FSOC member agency points of contact. That document will be sent to FSOC this week. Going forward, the core working group will finalize the draft audit program to include procedures for all the Working Group members to perform. This draft will be circulated among the working group offices for review and comment prior to finalization. As for a timeline, the group anticipates fieldwork will conclude within the next 6 months, with reporting to take place late spring/early summer next year.

Ms. Camille Callender, Treasury OIG, provided an update on legislative developments and other issues. She updated the group concerning Treasury's Request for Information (RFI) and comments on the *Uses, Opportunities, and Risk(s) Presented by the Development and Application of AI within the Financial Sector*. She noted Treasury received feedback on the following areas: potential obstacles for facilitating responsible use of AI within financial institutions; the extent of the impact on consumers, investors, financial institutions, businesses, regulators, end-users, and any other entity impacted by financial institutions' use of AI; and recommendations for enhancements to legislative, regulatory, and supervisory frameworks applicable to AI in financial services. Ms. Callender also noted the three risks categories the RFI mentions as associated with the use of AI, which include: (1) Explainability and Bias, (2) Consumer Protection and Data Privacy, and (3) Third-Party Risks. Ms. Callender stated that Treasury received 108 comments. The comment period closed August 12, 2024.

Ms. Callender then discussed the *Financial Data Transparency Act* and the proposed *Joint Data Standards* rule. The Office of the Comptroller of the Currency, Board, FDIC, NCUA, CFPB, FHFA, CFTC, SEC, and Treasury are proposing a rule to establish data standards to promote interoperability of financial regulatory data across these agencies. Final standards established pursuant to this rulemaking will later be adopted for certain collections of information in separate rulemakings by the agencies or through other actions taken by the agencies. The agencies are proposing this rule as required by the Financial Data Transparency Act of 2022. Comments are due by October 21, 2024.

Mr. Delmar then asked if anyone had any business to discuss. Hearing none, he asked for a motion to adjourn. A motion was made and seconded and was approved by all.

The meeting adjourned at 10:48 a.m.