Real-Time Regulatory Study Act of 2026

Summary of Discussion Draft by the Office of Congressman Bill Foster*

The Real-Time Regulatory Study Act directs the Federal Reserve Board, in coordination with other financial regulators, to develop, test, and publicly release open-source demonstration software to evaluate the feasibility of using technology to streamline financial institutions' regulatory obligations, to reduce compliance costs, and provide regulators with real-time information on the condition of financial institutions across the country. To promote collaboration with banks, credit unions, and relevant technology providers, the Federal Reserve shall seek technical contributions from financial institutions, technology providers, open-source organizations, and researchers.

Background

Financial services driven by artificial intelligence and round-the-clock payments systems may contribute to and rapidly spread financial stress. As the financial system accelerates using this technology, real-time information and automated tools can help institutions and regulators respond faster, improve access to liquidity, and better prepare to carry out orderly bank resolutions. New cybersecurity threats are also emerging, driven largely by the development of state-of-the-art AI models. Through enhanced collective maintenance and security built in from the start, open-source software can provide stronger protection against cyber threats. Model open-source software also has the potential to lower development and reporting costs for community banks and credit unions and expand their access to advanced risk-management capabilities.

Software Modules to be Demonstrated

- **Banking records and operations.** A real-time ledger management, liquidity management and asset pledging tools, management dashboards, connections to payment systems, customer and counterparty portals, identity verification, and customer data portability.
- **Regulatory dashboards.** Current information on capital, liquidity, payments, compliance, and counterparty exposure, including relevant business-unit and affiliate information.
- **Access to central liquidity facilities.** Real-time collateral pre-positioning, pledging, valuation, and advances through the Federal Reserve discount window, Federal Home Loan Banks, and NCUA Central Liquidity Facility.
- **Regulatory reporting.** Automated preparation of bank and credit union regulatory reports, systemic-risk reports, and other periodic reports.
- **Stress testing.** Simulations using historical and current data, including nightly execution of a library of scenarios to alert institution management to a broad range of financial risks.
- **Anti-money-laundering and fraud screening.** Automated screening and suspicious-activity reporting, logging of manual decisions, and lawful, privacy-preserving information sharing.
- **AI risk monitoring.** Nonbinding AI advisory tools trained on bank failures and historical supervisory data, operating on an institution's own records without disclosure to third parties.
- **Resolution data and bidder portals.** Organized, continuously verified records of assets, deposits, contracts, and other obligations, with secure information sharing for regulators and potential acquiring purchasers in the event of receivership.
- **System-wide simulations.** Historical and hypothetical events involving counterparty failures, Treasury and repo market disruptions, macroeconomic stress, cybersecurity failures, including the compromise of a widely-shared software component, and other threats to stability.

Testing Requirements and Safeguards

Model software must be open source, publicly available, and be tested for accuracy and reliability. Designs should support traceable calculations and use with existing systems. For the purposes of this study, development is restricted to test environments using synthetic or legally permitted historical data. The study shall not access live customer accounts or take actual financial, supervisory, or resolution actions. Adoption of the software developed through this study is not mandatory and should be viewed as a starting point for further modernization.

Oversight and Reporting to Congress

The bill sets goals of publishing all modules, alongside a preliminary security and maintenance plan, within one year and conducting a whole-system test within 18 months, requiring an interim report within 180 days and a final report within two years assessing feasibility, implications for financial stability, resolution readiness, costs and savings, competition, privacy, and a framework for ongoing maintenance.

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