GAO
Highlights

Highlights of GAO-23-106168, a report to the Chairman, Committee on Financial Services, House of Representatives

September 2023

FINANCIAL TECHNOLOGY

Agencies Can Better Support Workforce Expertise and Measure the Performance of Innovation Offices

Why GAO Did This Study

Financial institutions are increasingly using financial technology. However, policymakers have raised questions about whether regulators' staff have the technological skills and expertise needed to oversee entities offering products and services that use this technology. GAO was asked to review regulators' financial technology expertise, among other issues. This report examines (1) the technological skills or expertise of regulators' staff, (2) regulators' workforce planning practices, (3) how regulators address innovation in financial technology, and (4) how regulators use technology to improve their supervisory capabilities.

GAO reviewed 181 position descriptions and documentation on regulators' workforce planning, innovation offices, and supervisory technology. GAO also conducted 16 focus groups with nongeneralizable samples of policymaking and oversight staff from each agency (90 total staff across the five agencies).

What GAO Recommends

GAO is recommending that all five agencies collect staff skillset data and fully incorporate leading workforce planning practices; that CFPB, NCUA, and OCC develop performance measures for their innovation offices; and that CFPB, the Federal Reserve, NCUA, and OCC develop performance measures for their supervisory technology strategic objectives. NCUA agreed with the recommendations. CFPB, FDIC, the Federal Reserve, and OCC did not agree or disagree with the recommendations, but indicated they would take actions to implement them.

View GAO-23-106168. For more information, contact Michael E. Clements at (202) 512-8678 or clementsm@gao.gov.

What GAO Found

Financial technology refers to the use of technology and innovation to provide financial products and services. The Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System, National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC) require many of their staff responsible for policymaking and oversight related to financial technology to have some level of technological skills, according to 181 position descriptions GAO reviewed. The skill requirements ranged from basic technological skills, such as knowledge of office software, to more specialized knowledge, such as expertise in data analysis. The agencies expressly required knowledge of financial technology in 18 of the position descriptions. GAO held focus groups with agency staff where less than half of the participants said they had financial technology-related skills.

The agencies have taken some steps to incorporate leading workforce planning practices identified by GAO in prior work. For example, all of the agencies have developed programs or provided training to help develop staff knowledge of financial technology. However, the agencies have not systematically or comprehensively collected data on their policymaking and oversight staff's technological skills related to financial technology or conducted assessments to determine the financial technology skills these staff need. The agencies also have not measured the effectiveness of their financial technology training in addressing their skill needs. By fully incorporating leading workforce planning practices, the agencies could help ensure their staff have the knowledge and skills needed to effectively conduct policymaking and oversight related to financial technology.

CFPB, NCUA, and OCC have offices dedicated to addressing innovation in financial technology or the financial industry more broadly. These innovation offices research and monitor industry developments and communicate with industry participants, such as through conference participation (though CFPB's and OCC's offices have recently paused or stopped some outreach and innovation-related activities). The three innovation offices, however, have not developed performance goals or measures that target their key activities. Doing so could help ensure the offices are better able to assess the effectiveness of their initiatives and the extent to which they are accomplishing their missions.

All of the regulators reported using a variety of technologies to improve their supervisory capabilities. Examples include a tool that reviews compliance with certain legal requirements and the use of machine learning techniques to help identify risk. Additionally, all of the regulators had at least one strategic objective focused on improving supervision with technology. However, CFPB, the Federal Reserve, NCUA, and OCC have not developed performance measures for these objectives. Doing so could better position the agencies to gauge their progress toward enhancing their supervisory capabilities through the use of technology.