ICI Submits Comment Letter to Treasury Department on Treasury's Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector

[35803]

August 12, 2024

TO: ICI Members
Chief Information Security Officer Committee
Operations Committee
SEC Rules Committee
Small Funds Committee
Technology Committee SUBJECTS: Compliance
Financial Stability
Intermediary Oversight
Investment Advisers
Operations
Privacy
Risk Oversight
Technology & Business Continuity RE: ICI Submits Comment Letter to Treasury Department on Treasury's Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector

On August 12, 2024, ICI submitted the attached comment letter to the U.S. Department of the Treasury's ("Treasury") on the "Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector" (the "RFI").[1] Treasury issued the RFI on June 12th, please see the ICI memo summarizing the RFI here: https://www.ici.org/memo35744. In the RFI, Treasury explains that it is interested in gathering information from a broad set of stakeholders in the financial services ecosystem on (1) the uses of AI in the financial services sector and the opportunities and risks presented by developments and applications of AI within the sector and (2) input on the potential opportunities and risks of financial institutions' use of AI and how AI may affect impacted entities.

ICI's responds with the intention of opening a dialogue with Treasury and other financial regulators on the regulation of AI. As discussed in the letter, ICI believes that technology has tremendous potential to benefit investors and that it is critical for regulators, including Treasury, to proceed incrementally and deliberatively with the goal of preserving today's beneficial practices and facilitating further innovation. ICI's letter explains that unique to the financial services sector, the existing, technology-neutral regulatory framework incorporates well-established legal principles and standards that can adapt to the advent of new technologies and other market developments and can address and mitigate the concerns that policymakers have articulated about AI. Further, the letter emphasizes that, ICI member firms, in considering AI use cases in light of existing regulatory obligations, have found that these obligations include robust governance frameworks, ethical guidelines, and human oversight mechanisms that are directly applicable. The letter encourages that regulators, such as Treasury, should seek to promote a regulatory environment that encourages technological innovation that benefits investors and markets, rather than creating a regulatory environment that would have a chilling effect on technological innovation and be harmful to investors and markets. Further, the letter urges Treasury and other regulators to evaluate carefully the public input received in response to the RFI. If the feedback suggests that there may be any potential regulatory gaps or novel risks specific to the use of AI, Treasury or other regulators should obtain further public feedback on how to address these issues and, if necessary, propose a tailored solution proportionate to any specific concerns it identifies.

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Note

[1] Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector, 89 Fed. Reg. 50048 (Jun. 12, 2024) available at https://www.govinfo.gov/content/pkg/FR-2024-06-12/pdf/2024-12336.pdf.