

MEMO# 35968

December 24, 2024

U.S. Treasury Department Issues Report on the Uses, Opportunities, and Risks of Artificial Intelligence in Financial Services Sector

[35968]

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TO: ICI Members

Investment Company Directors

Bank, Trust and Retirement Advisory Committee

Broker/Dealer Advisory Committee

Business Continuity Planning Committee

Chief Information Security Officer Committee

Global Information Security Officer Committee - London

Global Information Security Officer Committee - Tokyo

Internal Sales Managers Roundtable

Investment Advisers Committee

Operations Committee

Pension Committee

Sales and Marketing Committee

SEC Rules Committee

Securities Operations Advisory Committee

Small Funds Committee

Technology Committee

Transfer Agent Advisory Committee SUBJECTS: Compliance

Financial Stability

Intermediary Oversight

Investment Advisers

Operations

Privacy

Risk Oversight

Technology & Business Continuity RE: U.S. Treasury Department Issues Report on the Uses, Opportunities, and Risks of Artificial Intelligence in Financial Services Sector

On December 19, 2024, the Department of the Treasury ("Treasury") published

a report^[1] on the Uses, Opportunities, and Risks of Artificial Intelligence ("AI") in Financial Services Sector. The Treasury AI Report follows Treasury's issuance of its June 12, 2024. Request for Information on the Uses, Opportunities, and Risks of Artificial Intelligence in Financial Services, which summarizes key themes from respondent feedback and recommends several next steps.^[2]

The Treasury AI Report emphasized the increasing use of AI throughout the financial sector and highlights the potential for AI (including Generative AI) to expand opportunities while amplifying certain risks, such as risks related to data privacy, bias, and third-party providers.^[3]

The Treasury AI Report provides background on the use of AI in financial services based on comments Treasury received on the RFI and builds on observations from previous Treasury reports and stakeholder engagement. The Treasury AI Report also discusses Treasury's ongoing efforts to evaluate recent developments in AI and summarizes key recommendations from the RFI feedback. Further, the Treasury AI Report details the respondents' comments on current and potential AI use cases, along with the associated risks, opportunities, and proposed risk mitigation strategies. Finally, the Treasury AI Report identifies policy considerations based on Treasury's analysis of the RFI responses and outlines potential next steps to be considered by Treasury, government agencies, and the financial services sector.

Through analysis of feedback received from the RFI, Treasury identified the following broad policy areas for further consideration: (1) regulatory frameworks; (2) federal, state, and other legislative efforts; and (3) international standards.

Specifically, the Treasury AI Report recommends:

- Continuing international and domestic collaboration among governments, regulators, and the financial services sector to promote consistent and robust standards for uses of AI in the financial services sector;
- Further analysis and stakeholder engagement to explore solutions for any gaps in the existing regulatory frameworks, and to address the potential risk of AI causing consumer harm;
- Financial regulators continue coordinating to identify potential enhancements to existing risk management frameworks and working with other government agencies to clarify supervisory expectations on the application of frameworks and standards, where appropriate;
- The financial services sector and government agencies further facilitate financial services-specific AI information sharing, alongside the AI cybersecurity forum recommended in the Treasury AI Cybersecurity Report, to develop data standards, share risk management best practices, and enhance understanding of emerging AI technologies in financial services; and
- Financial firms prioritize their review of AI use cases for compliance with existing laws and regulations before deployment and that they periodically reevaluate compliance as needed.

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Notes

[1] Artificial Intelligence Report on The Uses, Opportunities, and Risks Of Artificial Intelligence in the Financial Services Sector (December 19, 2024) ("Treasury AI Report") available at <https://home.treasury.gov/system/files/136/Artificial-Intelligence-in-Financial-Services.pdf>.

[2] Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector, 89 Fed. Reg. 50048 (Jun. 12, 2024) (RFI) available at <https://www.govinfo.gov/content/pkg/FR-2024-06-12/pdf/2024-12336.pdf>. See the ICI Memo available at <https://www.ici.org/memo35744> and the ICI Response to the RFI available at <https://www.ici.org/memo35803> and <https://www.ici.org/system/files/2024-08/24-cl-treasury-ai-risks.pdf>. Through the RFI, Treasury requested input on key issues relating to AI deployment within the financial services sector, including the opportunities and risks presented to financial firms, including banks and nonbanks, by their own use of AI, and the opportunities and risks facing consumers, investors, businesses, regulators, end-users, and any other entity impacted by deployment of AI. Treasury closed the RFI for public comment on August 12, 2024. In response to the RFI, Treasury received 103 comment letters from a variety of stakeholders, including financial firms, consumer advocacy groups, technology providers, financial technology companies, trade associations, and consulting firms.

[3] The Treasury AI Report builds on Treasury's work on AI-related cybersecurity risks in the financial sector, including its March 2024 report on Managing Artificial Intelligence-Specific Cybersecurity Risks in the Financial Services Sector ("Treasury AI Cybersecurity Report") available at <https://home.treasury.gov/system/files/136/Managing-Artificial-Intelligence-Specific-Cybersecurity-Risks-In-The-Financial-Services-Sector.pdf>.