



January 30, 2024

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Chair Gensler:

Artificial Intelligence (AI) is leading the way in technological advancement across the American economy. Many businesses, of all types, are already using AI¹ to increase productivity and competitiveness. As with any new technological advance, it is important to recognize the benefits, identify any potential adverse consequences, and for regulators to put in place appropriate safeguards when needed.

Understanding that AI policy development in the United States could not follow the same fits and starts of data privacy policy, in 2022, the U.S. Chamber of Commerce (“Chamber”) formed the Commission on Artificial Intelligence, Competitiveness, Inclusion, and Innovation (“Commission”). This independent Commission, chaired by former Representatives John Delaney and Mike Ferguson and composed of academics, business leaders, ethicists, former policymakers, and technological leaders, met with experts and stakeholders of differing opinions throughout the United States, the European Union, and the United Kingdom. The Commission released its recommendations in March 2023.²

The Commission issued specific findings on AI’s effects for U.S. leadership, workforce, global competitiveness, and national security. The Commission found that many AI activities are covered by existing laws or regulations. The Commission recommended five pillars for addressing potential gaps AI regulation—efficiency, neutrality, proportionality, collegiality, and flexibility. Policymakers should follow a risk-based approach when it is necessary to fill regulatory gaps.

AI presents both incredible opportunities and potential challenges in the financial sector. According to a World Economic Forum survey, 85% of financial

¹ <https://www.uschamber.com/assets/documents/The-Impact-of-Technology-on-Small-Business-Report-2023-Edition.pdf>

² U.S. Chamber of Commerce Technology Engagement Center. Commission on Artificial Intelligence Competitiveness, Inclusion, and Innovation.
https://www.uschamber.com/assets/documents/CTEC_AICommission2023_Report_v6.pdf

services organizations use AI.³ Your recent speeches have previously expressed concerns about the potential financial stability risks of AI in financial markets,⁴ and AI is a primary investor protection concern raised in the “Predictive Data Analytics” Rule recently proposed by the Commission.⁵ When used responsibly with other tools and human oversight, AI has the potential to revolutionize capital markets by improving efficiency, enhancing decision-making, and strengthening risk management. AI can help analyze large data sets to reveal insights that traditional methods may overlook; for example: identify investment opportunities, optimize order execution across different venues, and optimize portfolio allocation. When other technological advances have been embraced, such as decimalization, costs have plummeted, price discovery was improved, and the vistas of investor opportunity expanded.

President Biden recently issued an Executive Order where he emphasized, “Harnessing AI for good and realizing its myriad benefits requires mitigating its substantial risks. This endeavor demands a society-wide effort that includes government, the private sector, academia, and civil society.”⁶ The US Chamber of Commerce agrees with this sentiment,⁷ and is committed to being a partner to government in brokering this engagement with expert practitioners in the private sector.

Other nations are not stopping their development of AI, which is why it is critically important that the United States be the leader in the development of the technology, which will allow us to harness it to secure our networks and institutions while bolstering our competitiveness in capital markets.

Finally, AI is not inherently risky. The risks often arise, as is true with other market tools, from misuse, manipulation without proper safeguards and understanding. Accordingly, it is important for the Securities and Exchange Commission (“SEC”) to understand the role of AI in the marketplace, the opportunity it

³ https://www3.weforum.org/docs/WEF_AI_in_Financial_Services_Survey.pdf

⁴ Williams, C. (2023, September 12). SEC’s Gensler warns of AI risk to financial stability. <https://www.americanbanker.com/news/secs-gensler-warns-of-ai-risk-to-financial-stability>

⁵ Conflicts of Interest Associated with the Use of Predictive Data Analytics by Broker-Dealers and Investment Advisers (88 Fed. Reg. 53,960- 54,024, August 9, 2023)

⁶ Biden, J. R. (2023, October 30). Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence. The White House. <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/>

⁷ Quaadman, T. (2023, October 30). AI Executive Order Addresses Important Priorities but Needs More Work. US Chamber of Commerce. <https://www.uschamber.com/technology/ai-executive-order-addresses-important-priorities-but-needs-more-work>

presents to investors and potential adverse issues that need to be addressed. The SEC should use its available tools to be a well-informed regulator.

Accordingly, the Chamber recommends:

1. The Divisions of Corporate Finance, Investment Management, and Trading and Markets should hold roundtables with the private sector and other stakeholders. These roundtables should be used to inform a deeper understanding of how AI is being used to improve our markets in alignment with the SEC's tripartite mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.
2. The SEC should issue concept releases to facilitate broad based input on potential issues that may arise with AI technology;
3. The Division of Economic and Risk Analysis should quantify the benefits to investors and the marketplace for the use of AI and other technologies;
4. The General Counsel should identify any gaps in authority that would require action by Congress; and,
5. The SEC should hire employees with technological expertise in AI and should put in place resources necessary to oversee AI based systems.

Thank you for considering these recommendations. We are willing to discuss this in more detail with you and your staff.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' with a long, sweeping underline.

Tom Quaadman
Executive Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce