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FIRMS AND INDEPENDENT  
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## VIA SEC COMMENT PORTAL

April 9, 2025

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Re: File Number 4-850 (SEC Roundtable on Artificial Intelligence in the Financial Industry)

Dear Ms. Countryman:

On March 27, 2025, the Securities and Exchange Commission (SEC) hosted a Roundtable on Artificial Intelligence (“AI”) in the Financial Industry (the “Roundtable”) to discuss risks, benefits, and governance of AI.<sup>1</sup> We would like to commend the SEC for hosting the Roundtable, which was a timely and valuable initiative, that created a thoughtful forum for the financial industry to engage on this important topic. We appreciate the Commission’s leadership in fostering dialogue and transparency on emerging technologies and look forward to continued industry collaboration on this critical issue. The Financial Services Institute (FSI) appreciates the opportunity, through this comment, to highlight our efforts to equip and empower members as they evaluate possible AI solutions to enhance operational efficiency, foster investor-focused innovation, and strengthen supervisory systems. We appreciate the Commission’s engagement at the Roundtable and the panel discussions that encouraged a balanced, technology-neutral regulatory approach to emerging technologies that will enable continued innovation.

### **Background on FSI Members**

The independent financial services community has been an important and active part of the lives of American investors for more than 40 years. In the US, there are more than 152,000 independent financial advisors.<sup>2</sup> These financial advisors are self-employed independent contractors, rather than employees of the Independent Broker-Dealers (IBD).<sup>3</sup>

FSI’s IBD member firms provide business support to independent financial advisors in addition to supervising their business practices and arranging for the execution and clearing of customer transactions. Independent financial advisors are small-business owners and job creators with strong ties to their communities. These financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans. Their services include financial education, planning, implementation, and investment monitoring. Due to their unique business model, FSI

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<sup>1</sup> SEC Press Release 2025-48, SEC to Host Roundtable on Artificial Intelligence (March 7, 2025), available at <https://www.sec.gov/newsroom/press-releases/2025-48>

<sup>2</sup> Tiburon Strategic Advisors, Research on Independent Advisors (Dec. 18, 2024) (citing 152,200 in 2023).

<sup>3</sup> The use of the term “financial advisor” or “advisor” in this letter is a reference to an individual who is a registered representative of a broker-dealer and an investment adviser representative of a registered investment adviser firm, or a dual registrant.

member firms and their affiliated financial advisors are especially well positioned to provide Main Street Americans with the affordable financial advice, products, and services necessary to achieve their investment goals.

FSI members make substantial contributions to our nation's economy. According to Oxford Economics, FSI members nationwide generate \$35.7 billion in economic activity. This activity, in turn, supports 408,743 jobs including direct employees, those employed in the FSI supply chain, and those supported in the broader economy. In addition, FSI members contribute nearly \$7.2 billion annually to federal, state, and local government taxes.<sup>4</sup>

## Discussion

### **I. FSI Initiatives on AI**

Over the last two years, FSI has undertaken initiatives to advance our understanding of AI and to serve as a resource for our members as they navigate potential use-cases for this emerging technology. FSI began piloting an enterprise AI system for our staff to gain first-hand insight into its potential to optimize certain tasks. FSI has also formed a Task Force specifically focused on AI. In addition, through conferences, webcasts, and member councils, we have continued our practice of offering member education as well as opportunities for member discussion and benchmarking on emerging industry issues, such as AI.

#### **A. FSI AI Task Force: Advancing Responsible AI Integration in Financial Services**

In the second half of 2024, the FSI AI Task Force (the "Task Force") was established to explore with our members the potential adoption of AI technologies within the independent retail financial services industry. The primary purpose of this Task Force is to enhance access to independent financial advice by identifying effective AI use-cases, promoting best practices, managing risks, and addressing regulatory and public policy challenges. The Task Force aims to support FSI member firms through education, regulatory engagement, and collaboration with key industry stakeholders. The Task Force also provides an avenue for FSI to better understand AI innovation in the industry and to be a resource for regulators and other stakeholders on this topic. Although still relatively new, the Task Force is providing, and will continue to provide, a framework to engage with members on AI-related topics.

The FSI AI Task Force is composed of approximately thirty FSI members, solution providers, and legal and compliance professionals. It operates through three key project groups. Each project group is tasked with addressing a core aspect of AI adoption in financial services. The *Decision Framework Project Group* is developing a practical, risk-based framework to guide firms and advisors in evaluating AI solutions, focusing on autonomy levels, regulatory alignment, and objective criteria for risk-benefit analysis. The *Interoperability Project Group* is working to standardize Application Programming Interfaces (APIs), data models, and infrastructure to enable secure, consistent data exchange between firms, identifying key data points for regulatory compliance and promoting shared tools and best practices. The *Regulatory Project Group* is both tracking AI-related regulatory developments and refining a set of guiding principles for responsible AI regulation that will guide FSI on this important topic.

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<sup>4</sup> Oxford Economics for the Financial Services Institute, *The Economic Impact of FSI's Members* (2020).

In 2025, each workstream is meeting monthly to advance specific projects. These initiatives will provide additional resources for FSI members. The work of the FSI AI Task Force will also enable FSI to be a resource to regulators interested in the application of AI in the independent financial services channel.

## **B. Member Education and Opportunities for Discussion and Benchmarking**

Outside of the FSI AI Task Force, more generally, our members continue to learn and benchmark on AI related topics. At our OneVoice Annual Conference in January 2025, educational panels discussing AI were plentiful, including panels on *What You Are About to Witness is Real: AI Efficiency, Compliance and Scaling* and *Industry Perspectives on Applying AI*. More broadly, member firms frequently discuss industry developments as part of regular FSI council meetings, which include our Compliance Council as well as our Operations and Technology Council. These avenues provide opportunities for members to stay current on this rapidly developing area and benchmark on use-cases and any associated risks as well as regulatory considerations.

### **II. Balancing Innovation and Oversight: The SEC's Role in AI Regulation**

We support the discussion at the Roundtable on achieving the right balance between permitting innovation and appropriate regulatory oversight. We agree with the notion expressed by several commentors at the Roundtable that securities laws and regulations have a proven track record of being well-positioned to address new and emerging technologies. We also believe that additional discussions would be beneficial as AI technology continues to develop and financial services firms continue to explore use-cases for this technology.

FSI has previously shared with the Commission its belief that the SEC's principles-based approach to regulation is well-positioned to handle ongoing technology changes in the industry.<sup>5</sup> For example, Regulation Best Interest, outlines a principle-based approach to compliance.<sup>6</sup> This type of framework provides flexibility for innovation as well as thoughtful oversight. In addition, on June 27, 2024, FINRA recognized these principles – that its rules and guidance are technologically neutral and continue to apply when firms use Generative AI – in Regulatory Notice 24-09 (FINRA Reminds Members of Regulatory Obligations When Using Generative AI and Large Language Models).<sup>7</sup>

In contrast, on October 10, 2023, FSI commented on File Number S7-12-23 (Conflicts of Interest Associated with the Use of Predictive Data Analytics by Broker-Dealers and Investment Advisers) and asked that the SEC withdraw the Proposal.<sup>8</sup> For the reasons outlined in our

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<sup>5</sup> FSI, Comment Letter on SEC Request for Information and Comments on Broker-Dealer and Investment Adviser Digital Engagement Practices, File No. S7-10-21 (Oct. 1, 2021).

<sup>6</sup> Regulation Best Interest: The Broker-Dealer Standard of Conduct, 84 Fed. Reg. 33318, 33320 n.16 (July 12, 2019), <https://www.govinfo.gov/content/pkg/FR-2019-07-12/pdf/2019-12164.pdf> (“As discussed in further detail below, although Regulation Best Interest identifies specified obligations with which a broker-dealer must comply in order to meet its General Obligation, compliance with each of the component obligations of Regulation Best Interest will be principles-based.”)

<sup>7</sup> FINRA, Reg. Notice 24-09, FINRA Reminds Members of Regulatory Obligations When Using Generative Artificial Intelligence and Large Language Models (June 27, 2024), <https://www.finra.org/rules-guidance/notices/24-09>.

<sup>8</sup> FSI, Comment Letter on SEC Proposal on Conflicts of Interest Associated with the Use of Predictive Data Analytics by Broker-Dealers and Investment Advisers, File No. S7-12-23 (Oct. 10, 2023), <https://www.sec.gov/comments/s7-12-23/s71223-270940-653683.pdf>.

comment, we continue to ask that the Proposal be withdrawn as it is unworkable. In our comment, we encouraged the Commission to engage with the industry and, again, would like to commend the SEC for the March Roundtable. It was a strong example of the type of productive learning that can occur when the Commission and the industry discuss complex issues together.

In conjunction with additional Roundtables, we would support an inventory of existing rules that, given their technology-neutral nature, the SEC believes are applicable to AI and emerging technologies. One collective, working inventory could facilitate further industry engagement with the Commission on identifying any potential challenges or needed clarifications. Similarly, if routine examinations identify novel issues, we have supported the use of tools such as Risk Alerts in addition to ongoing thoughtful engagement and discussions with the industry.<sup>9</sup> As we advance the FSI AI Task Force, we look forward to future opportunities to engage so the independent financial services industry and investors can benefit from technological advances. At the same time, our members remain committed to regulatory compliance and investor protection.

### **Conclusion**

FSI is committed to constructive engagement in the regulatory process and welcomes the opportunity to work with the SEC on this and other important regulatory efforts. Thank you for considering FSI's comments. Should you have any questions, please contact me at 202-803-6061.

Respectfully submitted,



David T. Bellaire  
Executive Vice President & General Counsel

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<sup>9</sup> FSI Recommendations to the SEC to Modify its Procedural Framework to Prevent Regulation by Enforcement, at 32 (Jan. 25, 2024), <https://financialservices.org/wp-content/uploads/2024/01/FSI-Recommendations-to-SEC-prevent-Reg-by-Enforcement-2024-01-25-FINAL.pdf>.