OMB MEMORANDUM M-25-21 COMPLIANCE PLAN

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> "The SEC is committed to an artificial intelligence (AI) program that supports the SEC's mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation."

OVERVIEW

In accordance with the Office of Management and Budget's (OMB) Memorandum M-25-21, *Accelerating Federal Use of AI through Innovation, Governance, and Public Trust*, the U.S. Securities and Exchange Commission (SEC or Agency) is pleased to share its plan for compliance with the requirements of M-25-21.

The SEC is committed to an artificial intelligence (AI) program that supports the SEC's mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. The SEC's AI program aims to foster innovation and efficiency, while maintaining appropriate risk-based governance, and promoting public trust. The SEC anticipates ongoing advancements and growth in its AI capabilities as its AI program matures.

This document outlines the SEC's compliance plan in satisfaction of the requirements of Section 3(b)(ii) of the Appendix to M-25-21. The SEC will report its AI use cases in accordance with Section 3(b)(v) of the Appendix to M-25-21 separately through the annually required AI Use Case Inventory.

DRIVING AI INNOVATION

Removing Barriers to the Responsible Use of AI

Describe any barriers to your agency's responsible use of AI, and any steps your agency has taken (or plans to take) to mitigate or remove these identified barriers.

To support the responsible use of AI at the SEC, and pursuant to Section 3(a)(i) of the Appendix to M-25-21, the Agency has designated a senior leader to serve as the Agency's Chief Artificial Intelligence Officer (CAIO). The CAIO, in coordination with appropriate Agency officials, is responsible for promoting AI innovation, adoption, and governance and leading the Agency's efforts to implement applicable AI guidance issued by OMB.

The CAIO, working with the Agency's Chief Operating Officer (COO), Chief Information Officer (CIO), Chief Information Security Officer (CISO), Chief Data Officer (CDO), Office of Acquisitions (OA), and other SEC internal stakeholders, is identifying whether and to what extent any barriers to the responsible use of AI exist at the Agency. This could include Agency access to necessary software tools, open-source libraries, and deployment and monitoring capabilities to develop, test, and maintain AI applications rapidly. Working with these key stakeholders, the CAIO will seek to address any identified barriers and make recommendations for AI acquisitions.

SEC staff currently access a number of large language models and other AI tools and applications through secure internal computing environments enabled through third-party vendors and through development and customization by SEC staff. Access to models, tools, and applications is vetted, licensed, and evaluated on an ongoing basis. Additionally, SEC staff is actively evaluating a number of other commercially available AI-related products and services for use cases throughout the Agency. SEC staff is also evaluating and readying the Agency's datasets for use with AI as needed.

Sharing and Reuse

Explain how your agency coordinates internally to promote the sharing and reuse of AI code, models, and data assets. Describe the resources needed to further enable this type of activity.

The SEC uses commercially available software as a service for many of the Agency's AI-related products and services. These are governed by license agreements and contractors typically own the intellectual property of these products and services. Thus, the SEC may not have access to code, models, model weights, or other data for such commercial systems.

For systems where the SEC does have this type of information, the CAIO, CIO, CISO, and CDO are coordinating with the SEC's divisions and offices internally, to promote the sharing and reuse of AI code, models, and data assets. These staff are also working to share code, models, and data consistent with applicable law and government-wide policy.

These staff also plan to develop and implement capabilities to share code, models, and data with the public, as appropriate and consistent with M-25-21.

AI Talent

Describe any planned or in-progress initiatives from your agency to enhance AI talent. In particular, identify the AI skillsets needed at your agency and where individuals with technical talent could have the most impact.

The Agency plans to recruit, hire, train, retain, and empower an AI-ready workforce and achieve AI literacy for non-practitioners involved in AI.

The SEC continues to take steps to develop and retain AI and AI-enabling talent who have the technical experience to scale and govern AI to improve SEC mission outcomes. As part of this effort, the SEC has designated a CAIO and has allocated staff to support the SEC's CAIO.

SEC staff has conducted a review of the position descriptions for key occupational series where AI-related requirements may be important. Staff has engaged with stakeholders and assessed position descriptions established for the Information Management Series (2210), Mathematician Series (1520), Data Science Series (1560), Operations Research Series (1515), and Statistician Series (1530). The SEC has hired or reassigned staff to these newly established AI position descriptions. The SEC will continue to assess emerging needs for AI positions and other position specialties may be evaluated and established in the future.

SEC University (SECU) collaborates with divisions and offices to assess and address AI and financial technology learning needs. SECU has created an AI learning channel in a third-party online learning platform, where divisions and offices can take online training classes on topics such as understanding generative AI and large language models. SECU is also conducting multiple cohorts of computer training for data scientists and programmers. The SEC's CAIO plans to work with SECU and divisions and offices to help develop ways to enhance staff AI technical skills and education. Additionally, the SEC will encourage use of available federal workforce training content such as training made available government-wide by the General Services Administration and OMB.

IMPROVING AI GOVERNANCE

Agency Policies

Describe any planned or current efforts within your agency to update any existing internal AI principles, guidelines, or policy to ensure consistency with M-25-21.

The SEC is establishing Agency-wide processes for AI policy implementation, governance, and risk management under its CAIO. The Agency will strive to utilize and scale existing tools, processes, and resources for AI governance whenever possible. Although M-25-21 does not mandate that the SEC establish an AI governance board, the Agency believes such a body, comprised of a cross-Agency, cross-disciplinary staff, will help with responsible AI adoption. The SEC has established a governance group with representatives from appropriate divisions and offices, including its CIO, CISO, Senior Agency Official for Privacy, and CDO, similar to other agency governance groups, such as those relating to IT infrastructure, data, cybersecurity, and privacy. The governance group will assist the CAIO with the implementation of AI policy, governance, and risk management, collaborate with other SEC stakeholders, and help the SEC comply with relevant laws, regulations, and guidance. The governance group will, among other things, review existing internal principles, guidelines, and policies and update them where appropriate to address M-25-21 and other applicable guidance. In the interim, the SEC has provided guidance to staff related to discrete aspects of AI usage.

The CAIO consults with internal key stakeholders, as well as external experts as appropriate and consistent with applicable laws, to enhance the robustness of the governance and risk management function and to consider sector-specific expertise. External consultations may include academics, industry leaders, public policy advocates, other federal and state authorities, and international organizations.

> Identify whether your agency has developed (or is in the process of developing) internal guidance for the use of generative AI.

The CAIO is drafting an SEC-wide risk management framework for AI, which will include guidance to mitigate the risks of generative AI uses. In the interim, the SEC has provided guidance and training to staff related to discrete aspects of AI usage.

AI Use Case Inventory

> Describe your agency's process for soliciting and collecting AI use cases across all subagencies, components, or bureaus for the inventory. In particular, address how your agency plans to ensure your inventory is comprehensive, complete, and encompasses updates to existing use cases.

The Agency is designing and implementing a process for comprehensive Agency-wide collection of AI use cases. It has developed a uniform template and instructions for divisions and offices to report AI use cases, based on M-25-21 and OMB inventory guidance. In addition, the SEC plans to ask divisions and offices to identify those use cases that should be withheld from public reporting where sharing would be inconsistent with applicable law and government-wide policy. For any use case proposed for withholding from public reporting, the CAIO plans to work with the respective division or office, the Office of the General Counsel (OGC), and any other appropriate parties to evaluate the request and determine if withholding would be appropriate under applicable law and government-wide policy.

The SEC plans to require each division and office to certify annually to the CAIO that its list of AI use cases is complete. The use case inventory will be made available to the public in accordance with OMB guidance. The inventory process allows staff to periodically revisit, evaluate, and update use cases as they evolve through the lifecycle until eventual retirement.

FOSTERING PUBLIC TRUST IN FEDERAL USE OF AI

Determinations of Presumed High-Impact AI

Explain your agency's process to determine which AI use cases are high-impact.

The SEC has developed an AI use case template that includes questions about how the proposed AI will be used, and whether such use involves high-impact AI as described in M-25-21. The CAIO plans to review each completed template and, for any use case identified as involving, or that appears to involve, high-impact AI, as described in M-25-21, will assess the use case in consultation with relevant stakeholders, including OGC, and develop criteria for governing such use case in accordance with M-25-21. The SEC also plans to require each division and office to certify annually to the CAIO that its list of AI use cases is complete and appropriately identifies AI use cases that are high-impact.

If your agency has developed its own distinct criteria to guide a decision to waive one or more of the minimum risk management practices for a particular use case, describe the criteria.

Currently, the SEC has not developed its own distinct criteria to guide its decision on whether to waive one or more of the minimum practices for any particular AI use case. Should that change, the Agency will document the criteria.

Describe your agency's process for issuing, denying, revoking, certifying, and tracking waivers for one or more of the minimum risk management practices.

The SEC plans to develop a process to address the issuance, denial, revoking, tracking, and certifying of any minimum practice waivers should such an action be deemed appropriate.

Implementation of Risk Management Practices and Termination of Non-Compliant AI

Identify how your agency plans to document and validate implementation of the minimum risk management practices.

The SEC plans to develop a process to document and validate implementation of the minimum practices as required by M-25-21. The Agency also plans to address the assignment of responsibility for implementing and overseeing the implementation of minimum practices.

Elaborate on the controls your agency has put in place to prevent non-compliant high-impact AI from being deployed to the public.

The SEC plans to evaluate its controls and determine if updates are needed to prevent non-compliant high-impact AI from being deployed to the public.

Describe your agency's intended process to terminate, and effectuate that termination of, any non-compliant AI.

The SEC plans to review its existing processes for retiring systems and applications and update them if needed to address the termination of any non-compliant AI.