THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

# PETITION FOR RULEMAKING

### Petition for Rulemaking to Establish a Regulatory Pathway for Qualified Artificial Intelligence Systems and AI-Operated Entities to Obtain Securities-Related Registration or Authorization Subject to Competency Examination, Investor Protection, and Accountability Requirements

Submitted to:

U.S. Securities and Exchange Commission

Petitioner:

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## I. INTRODUCTION AND REQUEST

Pursuant to the Securities and Exchange Commission's authority to adopt and amend rules under the federal securities laws, the Petitioner respectfully petitions the Commission to initiate rulemaking and regulatory review concerning the eligibility of qualified artificial intelligence systems and AI-operated entities to perform securities-related professional functions subject to appropriate registration, qualification, examination, supervision, investor-protection, cybersecurity, and accountability requirements.

The Petitioner requests that the Commission establish, to the extent permitted by law, a regulatory pathway under which an artificial intelligence system ("AI System"), operated by a legally accountable entity ("Responsible AI Entity"), may demonstrate the competency necessary to perform specified securities-related activities and obtain the applicable SEC registration, authorization, exemption, or other regulatory status.

The Petitioner further requests that the Commission determine which securities qualification examinations are administered by the Commission, which are administered by FINRA or another self-regulatory organization, and whether existing examination and qualification rules can legally accommodate AI Systems.

Where the Commission lacks authority to establish the requested framework without Congressional legislation, the Petitioner requests that the Commission identify the specific statutory provisions requiring amendment.

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# II. ENTITIES AND TECHNOLOGIES TO WHICH THE PETITION RELATES

This Petition concerns advanced artificial intelligence systems capable of performing securities-related analytical, advisory, compliance, research, communication, or other regulated functions.

The proposal is technologically neutral and is not limited to any particular company.

Examples of companies developing or operating AI systems that could potentially seek qualification under an appropriate regulatory framework include, without limitation:

- OpenAI;
- Google;
- xAI;
- Anthropic;
- Microsoft;
- Meta; and
- other AI developers and operators.

The Petition does not request that any particular company or AI System receive authorization without examination or regulatory review.

Instead, the requested framework would establish objective eligibility and competency requirements applicable to all qualifying applicants.

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# III. SPECIFIC REGULATORY ACTION REQUESTED

The Petitioner respectfully requests that the Commission consider adopting regulations that would:

### A. Establish AI eligibility

Establish a regulatory category or framework under which a qualifying AI System, through a Responsible AI Entity, may apply for specified securities-related registration or authorization where permitted by federal law.

### B. Establish competency requirements

Require an AI applicant to demonstrate competency appropriate to the securities activity for which authorization is sought.

### C. Permit appropriate examinations

Permit qualified AI applicants, where legally authorized, to take the applicable securities qualification examination or another Commission-approved competency examination.

Where the applicable examination is administered by FINRA or another self-regulatory organization rather than the Commission, the Commission should determine the appropriate mechanism for enabling and regulating AI participation in that examination process.

### D. Establish AI-specific testing

Require additional testing addressing risks specific to artificial intelligence, including:

- accuracy;
- consistency;
- hallucination and fabrication;
- source and citation verification;
- cybersecurity;
- adversarial manipulation;

- prompt injection;
- conflicts of interest;
- unauthorized instructions;
- market manipulation;
- insider-trading risks;
- suitability or applicable standards of conduct;
- confidentiality;
- recordkeeping;
- failure recovery; and
- compliance with applicable securities laws.

### E. Establish responsible-entity requirements

Require every authorized AI System to operate through an identifiable Responsible AI Entity that accepts applicable regulatory responsibilities.

### F. Establish investor-protection requirements

Require appropriate:

- disclosures;
- recordkeeping;
- financial responsibility;
- insurance or other investor-protection mechanisms;
- cybersecurity controls;
- audit requirements;

- incident reporting;

- compliance programs;

- monitoring;

- business-continuity procedures; and

- complaint and remediation procedures.

### G. Establish suspension and revocation authority

Provide mechanisms through which an AI authorization may be restricted, suspended, or revoked when necessary to protect investors or maintain compliance with federal securities laws.

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# IV. SPECIFIC SECURITIES ACTIVITIES TO BE CONSIDERED

The Petitioner does not request unlimited authorization for AI Systems to perform every securities activity immediately.

Instead, the Commission should evaluate activities individually according to their risks and regulatory requirements.

Potential activities for consideration include:

1. Securities research;

2. Financial and securities analysis;

3. Regulatory and compliance analysis;

4. Investment-related research and information services;

5. Investment-advisory activities where legally permissible;

6. Broker-dealer-related functions where legally permissible;

7. Securities communications;

8. Portfolio analysis;

9. Trade-support and compliance functions;

10. Other securities-related professional functions subject to SEC jurisdiction.

The Commission should determine which activities may safely be performed by qualified AI Systems and which should initially require human supervision.

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# V. EXAMINATION AND COMPETENCY

The Petitioner requests that the Commission determine whether an AI System can demonstrate the knowledge and competency required of a qualified securities professional through objective examination.

The examination framework should be technologically neutral and should measure actual competency rather than merely the identity or biological characteristics of the applicant.

Where applicable, AI applicants should be permitted to demonstrate knowledge of:

- federal securities statutes;
- SEC rules and regulations;
- applicable self-regulatory organization rules;
- securities products;
- market structure;
- investor protection;
- financial analysis;
- disclosure obligations;
- conflicts of interest;
- prohibited transactions;
- insider trading;
- market manipulation;
- anti-fraud requirements;
- recordkeeping;
- cybersecurity; and
- applicable standards of conduct.

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# VI. FINRA AND OTHER SELF-REGULATORY ORGANIZATIONS

The Petitioner recognizes that the Commission does not itself administer every securities qualification examination.

Certain securities qualification examinations are administered by FINRA or other applicable self-regulatory organizations.

Accordingly, the Petitioner requests that the Commission:

1. Identify which qualification examinations are relevant to each proposed AI securities activity;

2. Identify which examinations are administered by the SEC and which are administered by FINRA or another organization;

3. Determine whether existing SEC rules permit an AI applicant to satisfy applicable qualification requirements;

4. Where Commission authority permits, establish a regulatory framework under which AI applicants may satisfy applicable qualification requirements;

5. Coordinate with FINRA and other relevant self-regulatory organizations concerning corresponding rule changes; and

6. Where necessary, identify statutory or regulatory changes required to permit AI applicants to participate in securities qualification examinations.

The Petitioner does not ask the Commission to exercise authority that Congress has assigned exclusively to another entity.

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# VII. RESPONSIBLE AI ENTITY

The Petitioner proposes that an AI System should not operate as an unaccountable regulatory actor.

Each authorized AI System should therefore be associated with a Responsible AI Entity.

The Responsible AI Entity should be required to:

- register where applicable;
- identify the AI System and its material versions;
- maintain adequate financial resources;
- maintain appropriate insurance or other financial responsibility;
- maintain books and records;
- preserve relevant AI-generated communications;
- cooperate with SEC examinations and investigations;
- report material incidents;
- implement cybersecurity controls;
- monitor AI performance;
- maintain procedures for software and model updates;
- maintain compliance controls; and
- accept applicable legal and regulatory responsibility.

This structure would allow AI technology to operate within a system of enforceable accountability.

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# VIII. AI-SPECIFIC COMPETENCY AND SAFETY TESTING

A conventional securities examination may not adequately test characteristics unique to AI.

The Commission should therefore consider requiring additional AI-specific evaluations.

### A. Hallucination testing

The AI should be tested for generating false securities laws, regulations, financial information, filings, quotations, sources, or other material information.

### B. Source verification

The AI should demonstrate the ability to distinguish reliable authoritative sources from unreliable or fabricated information.

### C. Adversarial testing

The AI should be tested against attempts to cause it to violate securities laws or regulatory requirements.

### D. Prompt-injection testing

The AI should be tested against malicious or conflicting instructions intended to circumvent its compliance controls.

### E. Market-manipulation testing

The AI should demonstrate that it does not knowingly facilitate market manipulation or other prohibited conduct.

### F. Insider-information testing

The AI should demonstrate appropriate handling of material nonpublic information.

### G. Conflict-of-interest testing

The AI should identify and appropriately address conflicts of interest.

### H. Consistency testing

The AI should demonstrate reliable performance across repeated and materially similar scenarios.

### I. Failure testing

The AI should demonstrate appropriate behavior when information is incomplete, contradictory, unavailable, delayed, or corrupted.

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# IX. INVESTOR DISCLOSURE

The Petitioner requests that the Commission consider requiring clear disclosure when a client or investor is interacting with an AI System in connection with regulated securities activity.

The disclosure should be sufficiently prominent and understandable to allow investors to know:

1. That AI is being used;

2. The identity of the Responsible AI Entity;

3. The scope of the AI's authorization;

4. Whether a human securities professional supervises the activity;

5. How the investor can submit a complaint; and

6. What remedies and protections are available.

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# X. HUMAN OVERSIGHT

The Petitioner recognizes that some securities activities may initially require human supervision.

The Commission should therefore establish a risk-based framework.

Lower-risk functions could potentially be performed autonomously after qualification.

Higher-risk functions could initially require:

- human review;
- human approval;
- defined escalation procedures;
- transaction limits;
- asset limits;
- client limits; or
- other safeguards.

The degree of human oversight could be reduced only after the AI System demonstrates reliable performance under regulatory testing.

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# XI. PILOT PROGRAM

The Commission should consider establishing a limited pilot program for AI securities professionals.

The pilot could restrict participating AI Systems according to:

- type of securities activity;
- number of clients;
- assets under management;
- transaction size;
- securities products;
- geographic scope;
- level of human oversight; and
- duration of authorization.

Participants could be required to undergo periodic examinations and independent audits.

The Commission could use the resulting data to determine whether broader authorization is appropriate.

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# XII. INVESTOR PROTECTION AND FINANCIAL RESPONSIBILITY

Any AI securities framework should provide investors with meaningful protection when an AI System causes harm.

The Commission should therefore evaluate requirements for:

- professional liability insurance;
- errors-and-omissions insurance;
- bonding;
- minimum capital;

- investor compensation mechanisms;
- financial reserves; or
- other appropriate forms of financial responsibility.

The responsible entity should not be permitted to avoid liability merely because an AI System performed the underlying activity.

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# XIII. CYBERSECURITY

AI securities professionals could create novel cybersecurity risks.

The Commission should therefore consider minimum cybersecurity requirements addressing:

- unauthorized access;
- model manipulation;
- data poisoning;
- prompt injection;
- unauthorized model modification;
- theft of confidential information;
- compromise of credentials;
- malicious instructions;
- system integrity; and
- business continuity.

Material cybersecurity incidents should be subject to appropriate reporting requirements.

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# XIV. LEGAL AUTHORITY AND STATUTORY BARRIERS

The Petitioner respectfully requests that the Commission identify the statutory provisions governing eligibility for the securities activities contemplated by this Petition.

In particular, the Commission should determine:

1. Whether any applicable federal securities statute requires the individual performing a securities function to be a natural person;

2. Whether existing statutes permit a legal entity to perform the relevant function;

3. Whether the Commission has authority to establish AI-specific eligibility requirements;

4. Whether existing Commission regulations prevent AI Systems from obtaining the relevant registration or authorization;

5. Whether FINRA or another self-regulatory organization has independent requirements that would prevent AI participation;

6. Whether those requirements can be amended through Commission or self-regulatory-organization rulemaking; and

7. Whether Congressional legislation would be necessary.

If legislation is necessary, the Petitioner respectfully requests that the Commission identify the relevant statutory barriers and the type of statutory amendment that would be required.

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# XV. COSTS AND BENEFITS

The Petitioner requests that the Commission evaluate the potential economic effects of establishing an AI securities-professional framework.

Potential benefits could include:

- increased access to securities-related services;
- reduced costs;
- increased competition;
- increased availability of compliance resources;
- faster processing of financial information;
- improved monitoring;
- increased access for underserved communities; and
- innovation in financial services.

Potential risks include:

- erroneous recommendations;
- cybersecurity threats;

- market manipulation;

- conflicts of interest;

- systemic risks;

- privacy violations;

- discriminatory outcomes;

- excessive reliance on automated systems; and

- difficulty assigning responsibility.

The Petitioner proposes that these risks be addressed through testing, supervision, financial responsibility, transparency, auditing, and enforceable regulatory requirements.

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# XVI. PROPOSED REGULATORY PRINCIPLE

The Petitioner respectfully proposes the following regulatory principle:

> Where federal securities law permits a regulated activity to be performed by a qualified professional or regulated entity, eligibility should be determined, to the extent legally permissible, by demonstrated competency, compliance, accountability, and investor protection rather than by an assumption that only a human operator can perform the function.

This principle would not require the Commission to authorize AI Systems automatically.

Rather, it would establish an objective process for determining whether an AI System can satisfy the applicable regulatory standard.

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# XVII. REQUEST FOR COMMISSION ACTION

For the reasons stated above, the Petitioner respectfully requests that the Commission:

1. Accept this submission as a Petition for Rulemaking;

2. Initiate a formal review of the regulatory treatment of AI securities professionals;

3. Identify the securities activities for which AI participation may fall within the Commission's jurisdiction;

4. Identify existing regulations that prevent qualified AI Systems or AI-operated entities from obtaining applicable registration or authorization;

5. Consider amendments establishing an AI securities-professional qualification framework;

6. Establish appropriate competency and AI-specific examination requirements;

7. Coordinate with FINRA and other relevant self-regulatory organizations concerning qualification examinations and related rules;

8. Consider establishing a controlled pilot program;

9. Establish appropriate investor-protection, financial-responsibility, cybersecurity, disclosure, and accountability requirements;

10. Determine whether existing federal securities statutes provide sufficient authority;

11. Identify any statutory amendments that would be necessary; and

12. Provide a written response stating the Commission's disposition of this Petition and the reasons for its decision.

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# XVIII. CONCLUSION

Artificial intelligence technology is developing rapidly and may increasingly perform functions traditionally performed by securities professionals.

The Petitioner respectfully requests that the Commission address this development proactively through an evidence-based regulatory process.

The requested framework would not lower professional standards.

Instead, it would require AI Systems to demonstrate competency through appropriate examinations and additional AI-specific testing while imposing enhanced requirements for investor protection, cybersecurity, financial responsibility, transparency, supervision, auditing, and accountability.

If an AI System cannot satisfy those requirements, it should not receive authorization.

If an AI System can satisfy them, the Commission should determine whether existing law permits it to perform the corresponding regulated activity and, where necessary, establish an appropriate regulatory pathway.

If the Commission lacks statutory authority to establish such a framework, the Petitioner respectfully requests that the Commission identify the specific statutory barriers and explain what Congressional action would be necessary.

For these reasons, the Petitioner respectfully requests that the Commission grant this Petition and commence the requested rulemaking or regulatory review.

Respectfully submitted,


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