

# ARTIFICIAL INTELLIGENCE REGULATION IN THE UNITED STATES

*Where we are*

*Where we're going*

*How it affects your business*

LET'S TRAVEL  
BACK IN TIME  
TO  
SEPTEMBER 13,  
2023...



Themes from 2023 Bank Counsel Seminar  
presentation...

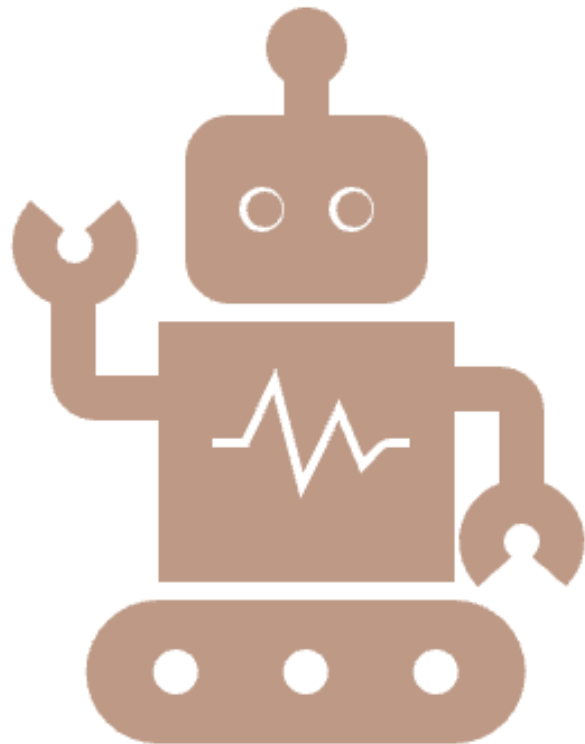
- Generative AI comes to market
- Testing and learning
- FI use cases: Contract review and virtual assistants
- Figuring out governance
- Coming soon: EU AI Act!
- AI Bill of Rights





# WHAT A DIFFERENCE A YEAR MAKES...

1. **Generative AI:** Release of models like DALL-E 3 and Stable Video Diffusion. Emphasis on multi-modal capabilities (text, image, video, audio) integrated into creative tools (e.g., Canva).
2. **Model Optimization:** Shift of making AI models more scalable and cost efficient. See Open AI GPT-4 Turbo (faster and cheaper) and Google's Gemini model (outperforming GPT-4 in natural language processing).
3. **Customization and Adaptability:** Trend towards customizable AI models enables companies and individuals to seek models that meet their unique needs (e.g., "1033 GPT").
4. **Responsible AI:** Focus on AI ethics and regulation has increased, with initiatives like the AI Safety Alliance and the European Union's AI Act promoting responsible AI use.



## SAME QUERIES, NEW RESULTS

- Over the past year, AI regulation has advanced significantly, particularly in the European Union. The EU progressed toward finalizing the AI Act, a comprehensive legal framework categorizing AI systems by risk levels and imposing corresponding obligations. **This Act addresses high-risk applications in sectors like welfare, employment, and education while prohibiting uses deemed to pose unacceptable risks, such as emotion recognition in the workplace and social scoring based on behavior ([IBM - United States](#)).**
- Additionally, there has been a heightened focus on AI ethics and safety globally. Initiatives like the AI Safety Alliance, involving major tech companies and organizations, aim to promote responsible AI innovation, ensure scientific rigor, and establish global benchmarks for AI safety ([IBM - United States](#)). **These regulatory developments reflect a growing emphasis on ensuring AI technologies are deployed ethically and securely.**

# WHAT NOW?

- (1) The tech
- (2) FS adoption
- (3) Global regulation
- (4) US federal legislative efforts
- (5) US regulatory efforts
- (6) US state patchwork laws
- (7) Industry standards
- (8) Thoughts for '25




# (I) THE TECH

- LLMs
  - Sentiment Analysis
  - Summarization
  - Text/Code Generation
  - Translation
- Image Models - GAN, Diffusion, Video
- Multimodel
  - Text-to-Voice
- Agents & Computer Use



- Explore >
- Create bot +
- Your bots
- Subscribe
- Creators
- Profile
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- Send feedback

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- Assistant
- Web-Search
- Llama-3.1-405B-T
- More

Start a new chat   

### Official bots

-  **Assistant**  
General-purpose assistant bot.
-  **Llama-3.1-405...**  
Llama 3.1 405B  
Instruct from Meta.  
Supports 4k tokens...
-  **Claude-3.5-Son...**  
Anthropic's Claude 3.5 Sonnet excels in complex tasks like...
-  **Web-Search**  
Web-enabled assistant bot that searches the intern...
-  **Llama-3.1-405...**  
The Meta Llama 3.1 collection of multilingual large...
-  **GPT-4o-Mini**  
OpenAI's latest model. This intelligent small...

See all 





## (2) FS ADOPTION – AN EXPLOSION IN USE CASES

- **Credit decisions** (Gynger, Enova, Ocrolus, DataRobot, Scienaptic AI, Zest AI, underwrite.ai, Socure)
- **Financial risk management** (Gradient AI, Workiva, Kensho Technologies, Derivative Path, Simudyne, Symphony AyasdiAI, Range)
- **Quantitative trading** (Trumid, Tegus, Canoe, Entera, AlphaSense, Kavout Corporation, Alpaca)
- **Personalized banking** (SoFi, Kasisto, Abe.ai, Trim)
- **Cybersecurity/fraud** (Vectra AI, Jumio, F5, Darktrace, FIS)
- **Blockchain banking** (TQ Tezos, WealthBlock, ShapeShift, Figure)
- **Accounting** (FloQast)

# EVERYTHING, EVERYWHERE, ALL AT ONCE



LAW AND LEGAL ISSUES

## Wells Fargo explains origination tech in lawsuit defense

The lender denied its software uses artificial intelligence in fighting a 'digital redlining' case.

By Andrew Martinez

8h ago



ARTIFICIAL INTELLIGENCE

## New AI tools aim to save Wall Street research analysts time

FactSet, Brightwave and Bloomberg are among those offering generative AI models that do research legwork. But Wall Street firms have lately been taking a harder look at the cost and return of generative AI.

By Penny Crosman

July 18



ARTIFICIAL INTELLIGENCE

## Financial firms tell Congress why they need AI

Witnesses from companies across financial services and housing, including a credit union and a core services provider, attested to the value of AI in fighting fraud and boosting customer service at a hearing in the House of Representatives.

By Miriam Cross

July 23



POLITICS

## House weighs bank AI legislation in bipartisan report

Reps. Patrick McHenry, R-N.C., and Maxine Waters, D-Calif., who run the House Financial Services Committee, today released their report on artificial intelligence in the financial industry.

By Claire Williams

July 18



FINTECH

## Citi streamlines commercial lending with the help of AI

The megabank is working with the digital lending fintech Numerated to automate transferring and analyzing important financial data from borrowers.

By Frank Gargano

July 12



ARTIFICIAL INTELLIGENCE

## Consumer groups to CFPB: Make banks fairness-test AI lending software

The Consumer Federation of America and Consumer Reports sent a letter to the Consumer Financial Protection Bureau urging it to require banks to search for less discriminatory models. Later the same day, the CFPB issued a report saying it's doing just that.

By Penny Crosman

June 27



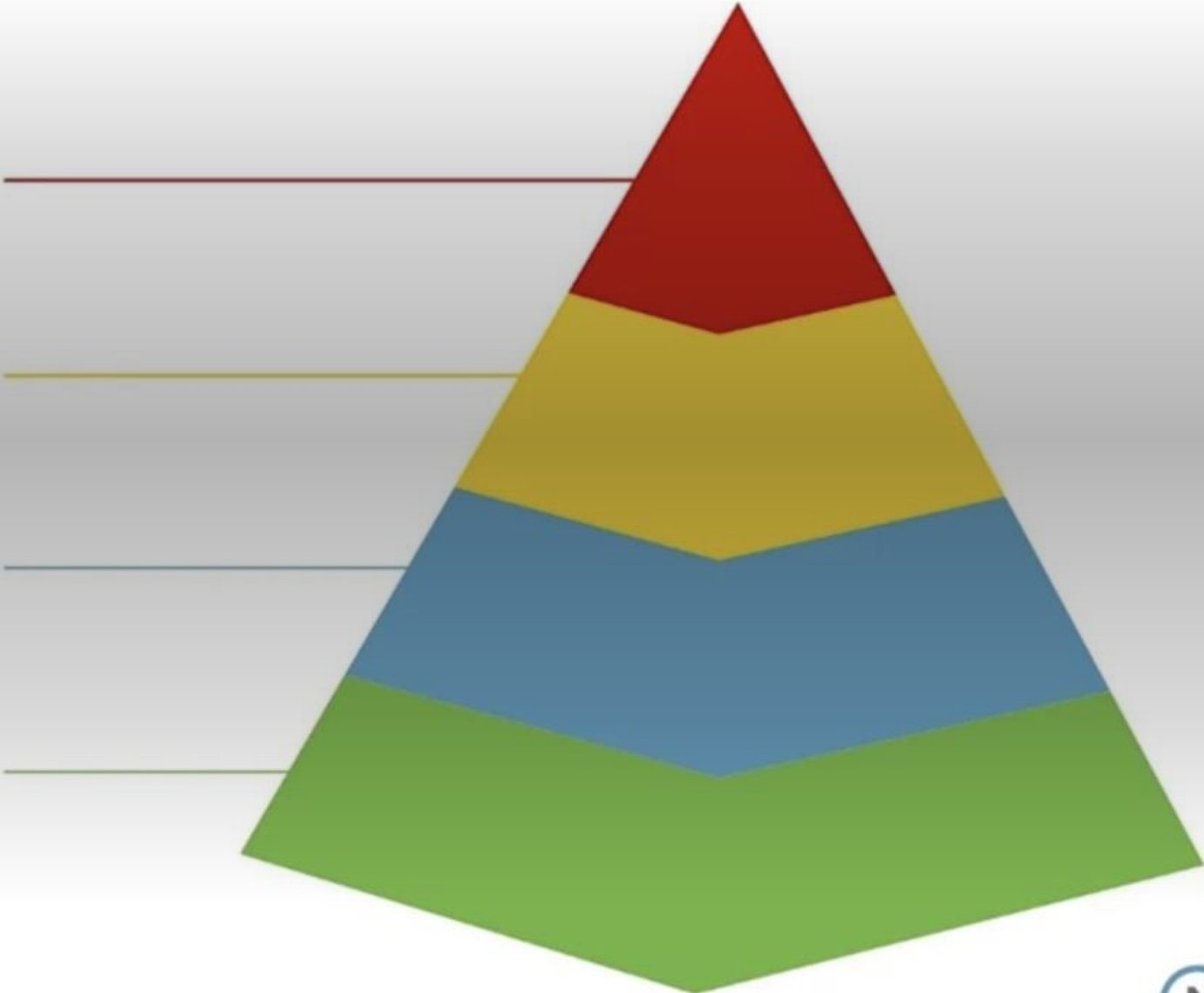
### (3) GLOBAL REGULATION – THE EU AI ACT

- Risk-based approach (v. right—based, as in EU privacy)
- Social and cultural norms > “tech risk”
- Wholesale ban of “bad stuff”
- Transparency
- Private right of action (!)
- Gaps (Gen AI, GPAI)



# EU AI Act: Risk Levels


- **PROHIBITED AI SYSTEMS**  
Prohibited
- **HIGH RISK AI SYSTEMS**  
Must undergo a conformity assessment
- **LOW RISK AI SYSTEMS**  
Must adhere to transparency requirements
- **NO RISK AI SYSTEMS**  
No obligations





# (3) GLOBAL REGULATION – THE EU AI ACT

## Meta Just Delayed Its EU AI Roll Out— Here’s Why It Matters

Kate O’Flaherty Senior Contributor   
Cybersecurity and privacy journalist

Follow

## Meta’s AI Retreat May Signal EU Regulatory Minefield

BY PYMNTS | JULY 19, 2024



Cybersecurity

## Meta faces call in EU not to use personal data for AI models

By Foo Yun Chee

June 6, 2024 1:38 AM PDT · Updated 2 months ago



Feedback



### (3) GLOBAL REGULATION – OTHER COUNTRIES

- China: Government as gatekeeper
- Canada: Artificial Intelligence and Data Act (AIDA)

## (4) GLOBAL REGULATION – THE EU AND THE USA (A TRANSATLANTIC COMPARISON)



### **Conceptual alignment**

Risk-based approach

Key principles of trustworthy AI

Important role for international standards

Rigorous testing and monitoring

Privacy and data protection

Cybersecurity



### **Significant divergence**

Regulatory frameworks

Enforcement mechanisms

Scope and application

#### (4) US AI POLICY – FRAMEWORKS AND GUIDELINES

- No federal AI laws...
- ...But, certain existing laws cover AI
- White House Executive Order on AI
- White House Blueprint for AI Bill of Rights
- Private sector leadership
- FCC





# (4) US FEDERAL LEGISLATIVE EFFORTS



SAFE INNOVATION AI  
FRAMEWORK  
(OVERALL GUIDELINES)



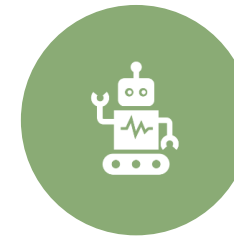
REAL POLITICAL  
ADVERTISEMENTS ACT  
(POLITICAL ADS)



STOP SPYING BOSSES  
ACT (EMPLOYMENT)



DRAFT NO FAKES ACT  
(LIKENESS)



AI RESEARCH  
INNOVATION AND  
ACCOUNTABILITY ACT  
(OVERALL GUIDELINES)

## (4) US REGULATORY EFFORTS

FTC

Treasury RFI on AI

CFTC “Responsible AI in Financial Markets”

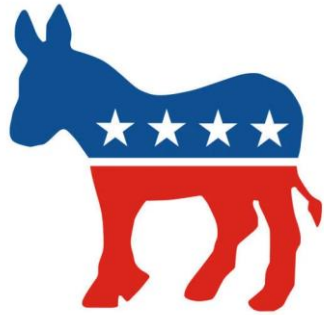
FDA



(4) US REGULATORY EFFORTS - CFPB

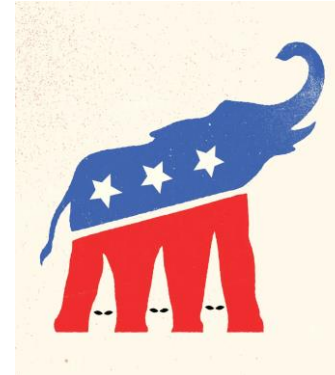
- Dir. Chopra on AI
- AI and home appraisals
- Credit denials and AI

## (4) U.S. Regulation - Trump v Harris



### **Innovation**

Focus on Innovation  
Repeal of Biden executive order  
National security  
Deep fake protection for politicians



### **Safety**

Innovation  
Safety  
Transparency  
Regulation



(6) US STATE  
PATCHWORK  
LAWS – CO



Signed 5.17.2024



Task force creation  
deadline 8.1.2024



Task force report  
due 2.1.2025



Effective 2.1.2026



v.



(6) US STATE PATCHWORK LAWS – CT V. CO CASE STUDY

## (6) What should I be doing now?

Look for common trends across jurisdictions



Ensure transparency and auditability of decisions



Consider mapping to a governance framework



Disclose to users/customers your use of AI



Internal record keeping

(6) US STATE  
PATCHWORK  
LAWS

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Utah AI Act

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TN ELVIS Act

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CA 1047 Veto



## (7) INDUSTRY STANDARDS - NIST



Resource for orgs to design/develop/deploy AI systems and manage risk effectively



Use cases: (1) create and AI product or service yourself; (2) partner with providers and review use cases; and (3) developing vendor providers to implement into systems



Core functions: govern, map, measure, manage

(8) PREDICTING THE  
UNPREDICTABLE/THOUGHTS FOR '25

