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SPEECH

Remarks at the Investor Advisory Committee Meeting

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Good morning, ladies and gentlemen. I regret that contemporaneous business out of town keeps me from joining you in person today, but I would be remiss not to briefly address this group — albeit pre-recorded — and to thank you for your spirited service on behalf of American investors. I am grateful, as ever, for the thoughtfulness with which you consider the key opportunities and challenges facing them today.

Before I continue, I must note the customary disclaimer that the views I express here today are my own as Chairman and do not necessarily reflect those of the SEC as an institution or of my fellow Commissioners.

To begin, your first panel will focus on a technological frontier that holds great promise, but can also provoke real questions and concerns. To that end, the perspectives of this Committee and today's panel participants on the burgeoning influence of Artificial Intelligence — and its possible role in corporate disclosures — are important to the Commission.

Now, while AI may help alleviate certain analytical burdens in distilling information in SEC filings, some may infer from this that the Commission has latitude to depart from its longstanding principle of materiality when prescribing disclosure requirements. I, for one, do not share that view.

It is also essential to recognize the substantial cost and effort on issuers and their shareholders to prepare these disclosures — a burden that does not

recede simply because AI can assist in interpreting the information after it has been produced, and at least currently cannot always discern fact from fiction, much less materiality from immateriality.

Moreover, while AI holds considerable potential, it should serve as a complement to — not a substitute for — human judgment. Its susceptibility to errors and hallucinations remains a significant concern in the context of disclosures on which investors rely to make informed decisions. This we must continue to weigh in our regulatory decisions.

AI is likewise transforming both the pace and purview of investors' decision-making. Firms now wield tools capable of processing information at extraordinary speed, and capable of extracting insights with a level of precision previously unattainable.

But while these advancements can create value, they also carry inherent risks. Opaqueness in models obscures accountability. Widespread reliance on similar tools can allow errors to cascade across the marketplace. And placed in the wrong hands, these systems could produce consequences that are amplified and difficult to contain.

Yet, despite the rapid evolution of this technology, our foundational principles remain unchanged. The SEC will not prescribe the specific models that firms must employ — we are not a merit regulator. Experience shows that such an approach would age poorly and fail to meet the needs of dynamic markets.

Instead, we will remain squarely focused on the mandate that Congress has entrusted to us. Our role is to establish the rules of the road and to oversee fair play — not to select winners or losers.

Your second panel today, meanwhile, will address potential reforms to Regulation NMS, including Rule 611 — commonly known as the Trade-Through Rule — which I have long regarded as a significant policy misstep dating back to my tenure as Commissioner in the Aughts.

Although Rule 611 ostensibly sought to promote displayed liquidity, this regulation produced unintended consequences. Over the past two decades, trading activity has increasingly migrated elsewhere, and the rule's incentives have contributed to the proliferation of new trading venues. This, in turn, has fragmented liquidity and produced a marketplace for order execution that is more complex, more costly, and less transparent.

As then-Commissioner Cynthia Glassman and I cautioned at the time, this rule substituted regulatory judgment for the productive discipline of competition and market forces — disrupting, as it were, the “market for markets.” For these reasons, the Commission proposed in June to rescind Rules 611 and 610(e), with the aim of streamlining market structure, reducing burdens, and enabling market dynamics to drive continued innovation.

In the intervening months, the Commission has received substantial comment and feedback on the proposed rule from the public, which the staff is now carefully reviewing. Of course, I am equally eager to hear the perspectives offered during today’s panel discussion, which will help inform our regulatory approach in this area moving forward.

With that, I am appreciative, once again, of the acumen and expertise that you bring to your roles on this Committee. We do not take your steadfast dedication lightly, and we continue to value your insights as we strive to fulfill our core mission. I wish you an enjoyable and productive rest of your meeting, and I look forward to our shared work ahead.

Thank you very much.

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