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SPEECH

Remarks at the Special Competitive Studies Project AI+ Expo

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Washington D.C. | May 8, 2026

Good morning, ladies and gentlemen. And thank you to SCSP for the invitation to take part in this year's Expo. It is a pleasure to be here today with so many esteemed researchers, innovators, and builders from across the nation who are, in the most literal sense, leading America toward new frontiers of technological evolution. You, more than most, understand that the race for technological leadership is not a spectator sport.

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

250 Years of American Ingenuity

Now, before I turn to the promising moment in which we stand today, I should like to take a brief look backward. Two hundred and thirty-four years ago, two dozen stockbrokers assembled beneath a buttonwood tree on Wall Street to establish the forerunner to the New York Stock Exchange. That simple agreement — less than a hundred handwritten words and far from perfect — set in motion a system that would govern the flow of capital for generations.

In the centuries since, our markets have never stood still. They have expanded, evolved, and reinvented themselves in lockstep with the ideas and

technologies of each successive era. Markets channel human ingenuity toward society's most intractable problems by rewarding those who develop the most innovative solutions that others value enough to buy. They are, as Adam Smith said exactly 250 years ago, the mechanism by which the invisible hand transforms the pursuit of personal gain into the promotion of the public good.

The SEC's role, in turn, is to safeguard those markets that allow the spark of creativity to benefit society. When the agency performs that role well, capital finds its way to the ideas and people most capable of putting it to work — and innovation emerges. But when the SEC does not step up — when it is too slow, too rigid, or too inclined to treat novelty as inherently suspect — it can suffocate the spark that it was meant to protect under piling costs and uncertainty.

The SEC's posture toward innovation carries outsized consequences, not just for the financial markets more broadly, but for the firms that it directly regulates. The Commission wields a wide range of tools, from innovation-friendly exemptions to outright prohibitions, that, when used, can either foster or halt the adoption of new technologies. At its best, the Commission can meet innovation with thoughtfulness.

For example, in the late 1990s, electronic trading systems surged in popularity, unsettling old assumptions about how markets should function. But following several years of incremental no-action letters, then-Chairman Arthur Levitt believed it behooved the SEC to provide regulatory flexibility for the electronic markets to innovate. The resulting framework — Regulation Alternative Trading Systems, or "Reg ATS," — allowed for ATSs to be regulated as broker-dealers, compared to being regulated as full-fledged national securities exchanges.

Indeed, the Commission did not force that innovation into a rigid framework on day one. It allowed space for development, it issued targeted guidance, and as the market matured, it built a fit-for-purpose regulatory architecture around it.

More recently, the Commission staff has emulated this approach by willingly addressing the novel questions that rapidly changing blockchain technology presents to markets. Since the start of this Administration a year ago, the staff has issued guidance in the form of statements, FAQs, and no-action letters that reduce legal uncertainty and identify paths to compliance for issuers, registrants, and other market participants seeking to apply this technology to their operations.

Willingness — like that of Chairman Levitt — to allow innovation to take shape is one of the central reasons that our markets have remained the deepest, most liquid, and most resilient in the world. It is also a lesson worth calling to mind as evolving technologies find their footing across our markets and the institutions that serve them.

AI & Agentic Finance

Take, for example, artificial intelligence. There is a common tendency, understandable but erroneous, to treat AI as an unprecedented invention, a rupture in the fabric of history requiring an entirely new regulatory regime. In some respects, the pace of innovation is new. But the animating force behind it is not.

AI is part of a long line of capability-expanding tools and mind-aiding instruments, from the telegraph to the ticker tape, and the electronic order book onward — each in its time seeming to demand wholly new systems of safeguards.

Unique to AI, however, is the scale at which it operates. Machines now have the capacity to assist in decision-making at an exponential scope and speed that is reshaping industries across our economy. Firms can process vast quantities of information faster and identify patterns with more precision than ever before.

They can manage risk through methods that many considered impossible only a few years ago — and extend access to sophisticated financial tools to investors who previously lacked them. These are not trivial gains — they are the types of efficiencies that deepen markets and broaden participation in them.

Of course, these features that can create value also carry the potential to introduce new vulnerabilities. If models are opaque, it becomes harder to understand how decisions are reached and by whom. If tools are widely adopted across the industry, errors could propagate at an alarming speed. And if bad actors gain access to these systems, the consequences could be amplified in ways that are difficult to anticipate and still harder to contain.

Yet, however rapidly the technological landscape may change, our foundational principles do not.

That means that firms remain responsible for the outcomes of the tools that they deploy and for informing investors of how those tools are used. For our part at the SEC, we will not dictate which models firms must use, nor will we cement today's technology as the standard for tomorrow. Past regulatory

postures teach us that such an approach would age poorly — and would almost certainly miss the mark.

Rather, what we *will* do is remain laser focused on the mandate that Congress assigned to our agency: that is protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. Our job is to set the rules of play and referee the game, not to pick the winning team.

Onchain Financial Markets

Of course, that imperative is equally pressing in how we approach the multiplying number of market participants moving onchain.

Our existing framework identifies regulated market functions through distinct categories: namely, brokers or dealers, exchanges, clearing agencies, and transfer agents.

But software applications today do not always organize themselves neatly along these categorical lines. A single protocol can execute a trade, manage collateral, route liquidity, execute trading strategies through vault structures, and settle the transaction — all within a unified, automated system, often within seconds.

Now, allow me to outline areas in which I think the Commission needs to provide greater clarity as to how those principles apply in the context of onchain markets.

First, market participants should have a clear sense of how onchain trading systems can operate within the regulatory perimeter. To that end, while I anticipate that the Commission will consider a limited innovation pathway in the near future, I also think we should consider what a future-proofed framework may look like, which would take the form of notice and comment rulemaking and would address the “exchange” definition as applied to onchain trading systems.

Second, we should further consider the application of the broker and dealer definitions and the associated regulatory framework to these activities, including by addressing some of the issues raised in a recent staff statement on software interfaces.[1] This policy initiative may involve notice and comment exemptive rulemaking as well.

Third, I think we should ultimately consider rulemaking to address the definition of “clearing agency” with respect to persons facilitating onchain clearing and settlement, specifically to confirm which general-purpose

activities fall outside the scope of the definition. When settlement is near-instantaneous and counterparty risk is managed algorithmically, the traditional clearing agency model requires fresh analysis.

Lastly, I think we should consider ways to provide clarity surrounding what are commonly referred to as “crypto vaults,” particularly regarding Securities Act and Advisers Act touch-points. Crypto vaults are onchain software applications that are often designed to allow users to earn yield passively through the deployment of their assets into yield-generating opportunities onchain.

As the Commission considers these policy initiatives, we should remember that onchain market structures today are often hybrid in nature, combining elements of what are often referred to as “traditional” and “decentralized” finance. We should clarify how the Commission views the spectrum of models that may implicate our statutes through notice and comment rulemaking, using our exemptive authorities where necessary and prudent, all with full participation from innovators, investors, and the public alike.

In any event, continued engagement with investors, market participants, and our fellow regulators is vital. These issues do not always fall neatly within a single jurisdiction. Therefore, regulatory coordination is not a nicety. It is a necessity, if we are to avoid a patchwork that creates confusion and leaves investors unprotected in the gaps.

The SEC will keep moving forward in its work to accommodate markets moving onchain. But as we do, I continue to echo my call for Congress to send the CLARITY Act to President Trump’s desk. Because, while I intend to future-proof our efforts through notice and comment rulemaking, there is no more powerful way to future-proof than enshrining sound statutory language in law.

The Path to America’s Continued Leadership

But for now, let me close with this.

Moments such as the one in which we find ourselves today test whether a nearly century-old regulatory system can bend to accommodate innovation without breaking at its core. And they command a choice.

The easy road is to reject change, and to treat evolving technology as a threat to be ignored, contained, or forced into existing regulatory categories. And, where those approaches fail, it is to leverage uncertainty to push innovation off American shores. The experience of the offshore growth and implosion of FTX

demonstrates the folly of pretending that Americans will not be harmed if we do not address innovative technologies and thereby force them offshore.

The more demanding road — but ultimately the more rewarding one — leads first to understanding, and then, where necessary, to careful adjustment and recalibration.

The United States has remained the leader of global markets because, at our best, we have continually devised new ways to integrate innovation into our capital markets, while keeping them worthy of investors' trust.

The original buttonwood tree on Wall Street no longer lives, but its progeny is in its place. Likewise, the basic principle of what started underneath that original tree and evolved over time endures — that capital markets, structured properly, can unleash the might of American dynamism as no central authority could. Our task — as it always has been — is to preserve that principle for the next quarter millennium and beyond.

An opportunity to do so lies in front of us today. I intend to seize it. And I am confident that, working together, we will.

Thank you very much for your time today. You all have been a patient and indulgent audience. And I look forward to the work ahead of us. Thank you.

[1] Division of Trading and Markets, Staff Statement Regarding Broker-Dealer Registration for Certain User Interfaces (Apr. 13, 2026), available at <https://www.sec.gov/newsroom/speeches-statements/staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized-prepare-staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized> (<https://www.sec.gov/newsroom/speeches-statements/staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized-prepare-staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized>).

Last Reviewed or Updated: May 8, 2026

