SEC Director Encourages AI Innovation and Industry Dialogue: "Every Idea Will Be Heard"

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By Mercedes Kelley Tunstall
Partner | Financial Regulation

By Christina Mille
Associate | Financial Services

In a February 3, 2026 **speech** to the Investment Company Institute's Winter Board Meeting, Brian Daly, Director of the SEC's Division of Investment Management, requested industry comment on how the use of artificial intelligence solutions should be addressed by the federal securities laws and processes.

Daly started off by pointing to how little progress has been made in modernizing existing technology rules. Quoting from a 2005 speech by former SEC General Counsel Giovanni Prezioso, he highlighted questions that still resonate today (e.g., whether posting to the web satisfies delivery obligations, whether emails count as regulatory "correspondence", and whether electronic storage satisfies recordkeeping rules). Two decades later, Daly acknowledged that "we are literally looking at a lost generation of limited progress," noting that the SEC has yet to adopt a comprehensive e-delivery rule and confusion remains over the Books and Records Rule.**[1]**

Against that gloomy backdrop, Daly turned to AI. He asserted that engaging in "intelligent use [of AI solutions] can, should, and will catalyze a transformation of the technology of investment management." While many firms are experimenting with AI, he reported that comprehensive adoption remains "uneven and often tentative," with enforcement or litigation risk the most frequently cited barrier.**[2]**

Daly did not preview any new rules. Instead, he explicitly invited outreach from firms that believe existing laws may be constraining responsible innovation through the use of AI solutions. He said advisers should assume that inbound messages beginning with "I have a novel approach that is good for investors…" will "grab [the SEC's] attention."

Daly floated the idea of reimagining how disclosures, which tend to be traditional and formulaic, are presented and worded by using the power of AI large language models. He then described the possibility of a fund-provided AI agent trained on the full suite of offering documents, capable of answering investor questions in plain English regarding fees, investment strategies, redemptions, conflicts, or benchmarks. Daly acknowledged such tools would inevitably raise questions about liability and regulatory compliance, but framed those questions as "solvable."**[3]**

For advisers and fund sponsors, the takeaway is less about imminent rule changes and more about posture: the Division of Investment Management is finally signaling openness to conversation about necessary regulatory changes to accommodate technological innovation. Those prepared to approach the SEC with concrete, investor-focused proposals now have an opportunity to potentially shape how the use of AI and AI agents are regulated in the investment management space.

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[1] *See* 17 C.F.R. § 275.204-2.

[2] Daly said feedback comes from numerous industry surveys, from direct outreach, and from the Examinations Division.

[3] Daly said regulatory questions may include: "Would the model be considered marketing? Would it require registration as an investment adviser? How would we supervise it?"