



## U.S. Department of the Treasury Office of Public Affairs

**Press Release:** March 4, 2026  
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### **READOUT: AI Innovation Series - Roundtable on Strategy and Governance**

**WASHINGTON** – On Wednesday, March 4, the U.S. Department of the Treasury hosted the first roundtable of the Artificial Intelligence (AI) Innovation Series — a forum for public-private engagement to support the strength and resilience of the U.S. financial system as AI adoption accelerates across financial services. The roundtable convened senior leaders from banks, asset managers, insurers, financial market utilities, technology firms, and regulators for cross-sectoral conversations.

SEC Chairman Paul S. Atkins delivered a [keynote address](#) highlighting AI’s value in enabling “investors to participate in the markets with greater confidence, businesses to allocate capital with sharper precision, and regulators to oversee those financial markets with deeper insight.” The Chairman described the Commission’s efforts to ingrain innovation in its own culture while continuing to hold accountable the misuse, or the deceptive use of, AI technologies. He welcomed the engagement between the regulators and the regulated at the roundtable. The roundtable also featured industry presentations, a panel discussion, and breakout group conversations.

During the roundtable, many participants raised the rapid pace at which AI tools are evolving, and the risks financial institutions face in failing to leverage these tools to defend against cyber attacks, frauds and scams, and financial crimes while threat actors swiftly misuse these tools. Participants noted that firms’ failure to adopt AI tools can itself be a financial stability risk. Others added that the financial services sector is shifting from AI experimentation to production, and that it is critical for supervisory approaches to evolve to facilitate AI scaling.

Many participants expressed that to enable innovation, regulations need to be fit-for-purpose, principles-based, outcomes-focused, and flexible while avoiding prescriptive approaches. Some requested modernization of model and third-party risk management expectations, particularly around model validation for generative AI use, human-in-the-loop for agentic AI use, and supply chain accountability given geopolitical dependencies. They emphasized that supervision should

be tailored to the risks posed by specific AI use cases. Agency culture should also shift so that examiners encourage, rather than accept, innovation at supervised firms; consistently apply existing regulations to AI use cases; and leverage AI tools themselves for exams.

Participants raised the importance of regulatory harmonization and public-private partnerships in efficiently supporting the development of solutions to complex challenges facing the industry. For example, participants suggested that regulators partner with them to share best practices on risk-tiered governance frameworks, develop standards for agent-to-agent interactions across firms, permit confidential non-punitive incident reporting, and support financial institutions with third- and fourth-party risk management with AI.

The conversations from this roundtable will inform the Financial Stability Oversight Council's and Treasury's development of policy recommendations to address barriers to innovation in support of broader Administration efforts related to AI. The next roundtable in the Innovation Series will explore AI use to generate value alongside best practices on data management and testing.

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