Opening Statement
Chairman Sherrod Brown
Artificial Intelligence in Financial Services
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This hearing will come to order.

New technology in our financial system has done plenty of good for Americans. The ATM gave people easier access to their own money.

The Internet simplified bill paying and gave people new ways to access credit and save for the future.

The smartphone allows people to check their bank balance anywhere, at any time.

But of course, technology has also done plenty of harm too.

Automation allowed high frequency trading that created the Flash Crash and contributed to the 2008 financial crisis.

Automation allows consumers to send instant payments to each other through peer-to-peer payment platforms.

But it also allows consumers to be defrauded and scammed out of millions of dollars on these platforms.

Just this spring, social media fueled a bank run that crashed Silicon Valley Bank – the second-largest bank failure in history.

Artificial intelligence could cause even bigger changes in our financial system. We cannot sleepwalk into a major transformation of our economy, and put Americans' money and financial futures at risk.

Increasingly, banks, brokers, and insurance companies are employing AI to process data, decide who can get a loan, and tailor financial products to customers.

With the advent of this new and potentially transformative technology, we have a responsibility to assess what AI means not just for our financial system, but for the American people.

AI is a tool, and we have the responsibility to set policies to ensure that when and if this tool is used, it’s used to make our economy work better for consumers and savers – not to exploit them.

Today, this Committee will begin to examine current and future applications of AI in our financial system.

And we will discuss how we can ensure that AI doesn’t become another way for Wall Street and Silicon Valley to supercharge existing tools to rig the system for their benefit.

In an ideal world, new technologies can make us better off by increasing productivity and making goods and services more affordable and accessible.

Unfortunately, as history has shown, the benefits of technology are often over-hyped, while the downsides do real damage to people’s lives and our society as a whole.

And the ones doing the over-hyping are generally big corporations—for example, the companies that mentioned AI over *a thousand times* during their quarterly earnings calls in April and May. Those companies stand to make a lot of money off the so-called "efficiency" that new technology brings.

Of course, Wall Street's version of "efficiency" usually means lower wages, fewer jobs, and less economic security for workers – and higher profits for corporate America.

Go to Toledo, Ohio. Visit the picket line at the Jeep plant. Talk to the workers I spoke with over the weekend. The CEO of Stellantis makes 365 times what the company's average worker makes.

Workers have been the casualties of an "inevitable march toward progress" too many times before.

And anyone who dares to question it gets mocked, called a Luddite.

With the emergence of AI, we have a responsibility to ensure this technology is used – when it is used at all – to protect consumers and savers, while promoting a fair and transparent economy that works for middle-class Americans – rather than taking advantage of them.

At a minimum, the rules that apply to the rest of our financial system should apply to these new technologies.

We need to make sure that our existing laws are used to protect consumers. And if emerging technologies aren’t covered by existing rules on the books, then we must pass new ones, to create real guardrails.

Companies are already using AI in the financial system.

Banks use algorithms and machine learning to make credit underwriting decisions and allocate people’s investments.

They automate trading.

Proponents of these technologies claim that they are making our financial system fairer and less expensive, making financial services more accessible, and of course, making it all more "efficient."

But we have to ask – efficient for whom?

Algorithmic trading has evolved over decades, with bigger and more powerful computers processing billions of bytes of stock market data.

It's made a lot of people on Wall Street a lot of money – but it's not clear it's done anything for our economy, other than speed up the financialization that has done so much harm to workers.

We've already had to put in place guardrails, like stock market circuit breakers, to prevent electronic trading programs from crashing our markets.

Without guardrails and consumer protections, AI could just be a new tool for Wall Street and Silicon Valley to swindle Americans out of their savings, trap them in debt, and strip them of their financial security.

And while some uses for AI – like automated credit underwriting and algorithmic trading – have been in practice for years, what's known as generative AI is creating new ways to remove human decision-making from financial services.

Those so-called "advances" make it harder to determine who is accountable when things go wrong.

Look what's happening in consumer lending markets, where the AI models used to determine borrowers' credit worthiness too often automate and supercharge biases that exclude Black and Latino Americans.

It's hard to eradicate discrimination when even the developers can't explain how the models get to the decisions they make.

Instead of removing human biases from consumer lending markets, AI data models bake the worst ills of our past into the cake – and disguise it as impartiality.

Discrimination is discrimination, regardless of whether it comes from a human or a machine.

Meanwhile, fraudsters are using cyber-attacks and "deepfake" AI technologies to deceive American savers.

I recently wrote to several banks and the CFPB about what steps they are taking to address the alarming rise in deepfakes to fool voice authentication security systems and scam consumers.

We have laws to deal with fraud, and those laws will be enforced whether it is a human or machine defrauding Americans. But we may need to go further to protect Americans.

We can’t make these technologies safe for consumers and savers without being honest with ourselves about their limitations.

With the wide availability and growing adoption of AI, we must also be wary of unleashing untested technology into widespread public use.

Consumers should expect, and Congress must require, rigorous testing and evaluation of AI models and programs before they are used in the real world, where they can cause real harm.

[pause]

None of this is to say that AI has no place at all in the economy. But Americans have every right to be skeptical, particularly when it comes to their finances.

We must ensure that innovation’s benefits flow to all Americans – not just a handful of Silicon Valley billionaires and Wall Street executives. We’ve seen it too many times before.

I think one thing my colleagues and I can agree on is that the Silicon Valley ethos of move-fast-and-break-things is dangerous for both our financial system and our entire economy.

I look forward to working with my colleagues to ensure that we end up with AI technology that is well-tested, protects privacy, and preserves civil rights and consumer protections.

And finally, I would like to thank Senator Rounds for his efforts to help the entire Senate better understand the challenges and opportunities posed by AI.

Senator Rounds.