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SEC Division of Investment Management Director Brian Daly Signals Innovation-Forward Agenda, Positioning AI at the Forefront of SEC Strategy

Regulatory & Compliance on **December 10, 2025**

On December 2, 2025, Brian Daly, Director of the Securities and Exchange Commission (the "SEC") Division of Investment Management (the "Division"), delivered remarks to the American Bar Association outlining the Division's top priorities under his leadership: deregulation, modernization, democratization, and artificial intelligence ("AI").

Daly noted that the Division's agenda will largely be driven by the Commissioners but, in laying out his personal priorities, he emphasized the importance of listening, humility, and responsiveness to industry realities as the animating principles behind the Division's approach. Against that backdrop, he placed AI at the forefront of the Division's strategic vision as an area of extraordinary potential where the Division will need to confront significant regulatory questions that require thoughtful consideration. Daly described AI as a "transformative force in the investment management industry – one that we want to enable, support, and regulate thoughtfully."

Artificial Intelligence as a Central Pillar of the Future of Investment Management

Daly highlighted in his remarks that the Division is heavily focused on how AI can be used to transform disclosure and the investor experience more broadly, underscoring AI's potential to make disclosure more effective and accessible. He pointed out that AI could reshape core aspects of adviser-client interactions, including by transforming traditional fund offering materials from lengthy, text-heavy documents into interactive, AI-enabled interfaces capable of delivering personalized investor information in a manner more aligned with how information is consumed.

Daly encouraged industry participants to collaborate with the SEC in addressing the many complex regulatory questions that AI raises for the industry. These questions include whether an AI agent's output would constitute marketing material or investment advice, whether and when an AI system may itself require registration, and how liability should be allocated when advice delivered through AI tools is inaccurate or misleading. He emphasized his desire to explore these novel questions in partnership with industry leaders and closed the AI discussion with an invitation for engagement.

Deregulation as a Pathway to Innovation

Beyond AI, Daly highlighted thoughtful deregulation as a key opportunity to promote innovation and strengthen America's leadership in global finance. He cited the SEC rule that streamlined ETF approvals rather than requiring an individualized exemptive order process for each fund as a catalyst for the explosive growth of ETFs and stated his view that a "lighter-touch regime" has been key in allowing private funds to flourish in the United States by affording flexibility to sophisticated investors capable of managing their own risks. He also indicated that the Division will be receptive to requests to revisit or remove outdated or unnecessary regulatory restrictions that no longer serve the common good.

In closing on this topic, however, Daly reminded his audience that "we are still the Investor's Advocate," and that the SEC intends to remain "laser focused on retail protection and market stability."

Modernization of Outdated Rules

Another priority is modernization of rules that no longer reflect industry and technological realities. Daly cited the Custody Rule's lack of coverage of digital assets and pointed to the recent no-action letter addressing custody of cryptoassets with state-chartered trusts as an example of progress. He also signaled his desire to revisit the books and records rule applicable to investment advisers, noting that "the language of the rule still reflects a paper-based mindset." Any updates the Division recommends will aim to be "platform-independent, technology-neutral, and future-ready," ensuring that rules remain viable for decades to come.

Democratization of Private Markets

Daly reiterated his interest in the “democratization” of private markets, or increasing retail investors’ ability to access alternative investments. He tempered expectations for a “big bang” that will open all private funds to retail investors overnight, but stated his commitment to making thoughtful, incremental adjustments to the existing regulatory framework across different access points, investment structures, and disclosure requirements. For example, he noted that after the Division rescinded its previous practice of limiting most closed-end funds’ exposure to private funds, the Division chose to issue an Accounting and Disclosure Information bulletin offering staff guidance rather than new rules that may not work well for every situation. Daly emphasized that the SEC is committed to allowing space for innovation and market-led development, preferring targeted actions paired with continued staff engagement over rulemaking.

What’s to Come

Overall, Daly’s remarks convey his intent for the Division to encourage innovation through engagement with industry, with AI poised to become one of the most significant and complex areas of focus. Advisers exploring new AI applications, from client-facing tools to compliance systems, should begin evaluating how existing regulatory frameworks may apply and engage with the Division if guidance could be helpful to enable innovation.

“If you want to innovate,” he said, “this is the Commission that you have been waiting for.”

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