



## **Katten Financial Markets and Funds *Quick Take***

August 2023

### **Seven Leading AI Development Firms Agree to Conduct Principles That May Be Regarded as Initial Industry 'Best Practices'**

*By Gary DeWaal, Dan Davis*

Seven leading developers of artificial intelligence (AI) technology voluntarily agreed to comply with eight specific commitments ([Commitments](#)) to help mitigate the risks of AI, as announced in a ceremony at the White House on July 21. These emanate from three core principles that the White House said "must be fundamental to the future of AI: safety, security and trust." The Commitments follows the release of a White House blueprint for an "[AI Bill of Rights](#)," that also included principles to guide the "design, use and deployment automated systems to protect the American public in the age artificial intelligence." [Read about AI best practices.](#)

### **Federal Reserve Warns Against Potential Risks Posed by Quantum Computers and AI**

*By Gary DeWaal, Dan Davis*

The advent of quantum computing and generative artificial intelligence could potentially pose new risks to the US financial system, warned the Board of Governors of the Federal Reserve System in a [report](#) issued to Congress on August 1 (the Report). These threats and others warrant unspecified "collective actions across government and strong collaboration with the private sector in advancing measures to understand and mitigate risks," says the Report. [Read about issues raised in the Report.](#)

### **A Disagreement Among Judges in the Same Courthouse Arises in Ruling Denying Motion to Dismiss SEC Enforcement Action Against Terraform Labs**

*By Gary DeWaal, Dan Davis*

One US federal district court judge affirmatively challenged the analysis of another district court judge sitting in the same courthouse in denying defendants' motion to dismiss in the Securities and Exchange Commission's (SEC) enforcement action against Terraform Labs Pte. Ltd. and Do Kwon. Judge Jed S. Rakoff said he "rejects" the approach taken by the Judge Analisa Torres when she ruled in connection with motions for summary judgment by both the SEC and Ripple Labs, Inc. [Read about Judge Rakoff's conclusions.](#)

### **SEC Proposes Rules for IAs/BDs Regarding Digital Engagement Practices (Gamification) and Proposes Amendments Regarding 'Robo-Adviser' Registration**

*By Adam Bolter*

On July 26, the SEC voted in favor of proposing new rules and amendments designed to address certain conflicts of interest associated with the use of predictive data analytics (so-called "Gamification") by investment advisers (IAs) and broker-dealers (BDs). The SEC also

unanimously voted to approve amendments to modernize the internet adviser (Robo-Adviser) exemption from the prohibition on SEC registration for smaller investment advisers. These rulemaking proposals continue to make good on the SEC Chairman's rulemaking priorities in the [Spring 2023 regulatory agenda](#). [Read about the SEC's recent votes](#).

## **DTCC Announces Wind Down of Global Markets Entity Identifier Business**

*By Carolyn Jackson, Neil Robson, Nathaniel Lalone, Christopher Collins, Ciara McBrien*

On July 27, the Depository Trust & Clearing Corporation (DTCC) announced its decision to exit the Global Markets Entity Identifier (GMEI) business by August 22. Through its GMEI business, DTCC issued Legal Entity Identifiers (LEIs) in more than 140 jurisdictions, representing approximately a 50 percent share of all LEIs issued worldwide. As part of the financial crisis regulatory reform, LEIs are required to be provided on most financial transactions, including derivatives transactions, to identify legal entities and their financial transactions in a globally accessible database. [Read about the DTCC's wind down](#).

## **California Court Delays Enforcement of CPRA Until March 2024**

*By Trisha Sircar*

The California Superior Court ruled, on June 30, that the California Privacy Protection Agency (CPPA) cannot begin enforcement of the California Privacy Rights Act of 2020 (CPRA) until March 29, 2024. [Read about the CPRA](#).

## **Enhancing Data Privacy: A Glance at Texas's New Consumer Privacy Law**

*By Trisha Sircar, Eric Hail, Lisa Prather, Jose Basabe*

On June 18, Texas Governor Greg Abbott signed into law the Texas Data Privacy and Securities Act (TDPSA). Substantive portions of the TDPSA, otherwise known as H.B. 4, are set to take effect on July 1, 2024, making Texas the 10<sup>th</sup> state to implement comprehensive privacy legislation. [Read about the TDPSA](#).

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## **ICYMI**

Here's a look back at recent client advisories from Katten.

- ["Key Principles and Considerations for Participation in the EU-US Data Privacy Framework,"](#) July 25, 2023
- ["CFPB's Focus on Standard-Form Consumer Agreements Warrants 'Fresh Eyes' on Consumer Template Disclosures,"](#) July 26, 2023
- ["Mallory v. Norfolk Southern Railway Co.: Supreme Court Recognizes Existence of Consent-Based Theory of General Personal Jurisdiction,"](#) August 2, 2023

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