

### Bipartisan Al Bill Reintroduced; Senate Challenges China Chip Reversal — Al: The Washington Report

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#### VIEWPOINT TOPICS

- Artificial Intelligence

- On July 30, Unleashing Al Innovation in Financial Services Act, a bipartisan, bicameral bill was
  reintroduced to "establish regulatory guardrails at financial regulatory agencies for regulated entities to
  test Al projects." The bill also directs each of the financial regulatory agencies to create in-house Al
  Innovation Labs, "to enable regulated entities to experiment with Al test projects."
- The reintroduction of this bill is consistent with the greater deregulatory stance the federal government has taken, aligning with President Trump's recently released Al Action Plan, which champions regulatory flexibility as key to maintaining US leadership in Al, as we've previously covered.
- Separately, on July 28, top Senate Democrats voiced their "grave concern" in a joint letter to the
  Commerce Secretary, denouncing "the Trump administration's decision to reverse course and allow US
  companies to sell certain advanced semiconductors to the People's Republic of China (PRC), despite
  evidence that these chips have proved critical for artificial intelligence (AI) development in the PRC."
  The reversal of the previously imposed sales restrictions against China underscores the tension and
  shifting balance between market access and national security concerns in the ongoing US-China AI
  race.
- While the letter expresses anxiety over China's access to Al chips, it emphasizes enduring concerns in Congress about technological advantage and national security issues in the Al race. The bipartisan support in Congress for "regulatory sandboxes" in financial services reflects a growing consensus within the federal government to deregulate and adopt Al use.

## Bipartisan, Bicameral Bill Reintroduced to Promote Al in Financial Institutions

On July 30, **Unleashing Al Innovation in Financial Services Act**, a bipartisan, bicameral bill was reintroduced to "establish regulatory guardrails at financial regulatory agencies for regulated entities to test Al projects." The bill seeks to create regulatory sandboxes that would allow financial institutions to "test Al-enabled products and services without immediate risk of enforcement action, as long as they meet transparency, consumer protection and national security requirements."

"By creating a safe space for experimentation, we can help firms innovate and regulators learn without applying outdated rules that don't fit today's technology," said Senator Mike Rounds (R-SD) reintroducing the bill in the Securities, Insurance, and Investment Subcommittee hearing.

Sen. Rounds specifically criticized rules, such as the proposed 2023 Predictive Data Analytics Rule put forth by the Securities and Exchange Commission (SEC), arguing that it "would have imposed sweeping, unclear restrictions on financial firms developing or deploying AI, without a workable framework" and "would have slowed innovation, raised compliance costs, and locked out smaller players."

In contrast, the bill seeks to establish AI Innovation Labs within each of the financial regulatory agencies "to enable regulated entities to experiment with AI test projects without unnecessary or unduly burdensome regulation or expectation of enforcement actions." The seven financial regulatory agencies — the Securities and Exchange Commission (SEC), Consumer Financial Protection Bureau (CFPB), Office of the Comptroller of the Currency (OCC), National Credit Union Administration (NCUA), Federal Housing Finance Agency (FHFA), Federal Deposit Insurance Corporation (FDIC), and Federal Reserve — would "evaluate and potentially waive or modify existing rules for approved AI test projects."

"This commonsense bill will allow for experimentation while putting guardrails in place to strengthen," said Representative Josh Gottheimer (D-NJ-5), a leading House co-sponsor.

The reintroduction of this bill echoes the federal government's greater deregulatory stance, exemplified by President Trump's recently released **Al Action Plan**, which champions regulatory flexibility as key to maintaining US leadership in Al. The plan explicitly endorses the use of regulatory sandboxes across federal agencies, framing them as essential to innovation and global competitiveness.

Private sector leaders in finance, one of the most advanced adopters of AI, have largely welcomed the approach, emphasizing that existing laws can address misuse without stifling innovation by overregulating the technology itself. Committee hearings and markups in both chambers have yet to be scheduled; despite its bipartisan sponsorship, its ultimate fate in Congress is uncertain.

# Top Senate Democrats Denounce Resuming Al Chip Sales to China

On July 28, top Senate Democrats voiced their "grave concern" in a **joint letter** to the Commerce Secretary Howard Lutnick, denouncing "the Trump administration's decision to reverse course and allow US companies to sell certain advanced semiconductors to the People's Republic of China (PRC), despite evidence that these chips have proved critical for artificial intelligence (AI) development in the PRC."

The reversal of the previously imposed sales restrictions on a leading AI chipmaker serving the Chinese market underscores the tension between market access and national security concerns in the ongoing US-China AI race. The reversal, Democrats argue, directly contradicts the administration's AI Action Plan, "which purports to strengthen export control efforts on AI compute."

"Restricting access to leading-edge chips has been the defining barrier for the PRC's efforts to achieve Al parity," the senators wrote, underscoring Congress's bipartisan stance on limiting strategic technologies to geopolitical rivals.

At the heart of the criticism is a broader concern that the administration's evolving approach to export controls is undermining US strategic priorities in AI. The administration's decision to reverse the initial April ban, along with its previous decision to repeal the AI Diffusion Rule, reflects the administration's shift toward a more industry-friendly stance that may address concerns from stakeholders worried that export restrictions could stifle domestic innovation and free trade.

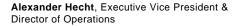
While the letter expresses anxiety over China's access to AI chips emphasizes enduring concerns in Congress about technological advantage and national security issues in the AI race, the bipartisan support in Congress for regulatory sandboxes in financial services reflects a growing consensus, within the federal government, to deregulate and adopt AI use.

We will continue to monitor, analyze, and issue reports on these developments. Please feel free to contact us if you have questions as to current practices or how to proceed.

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