

INSIGHTS + NEWS

Neal Pandozzi Writes “Danger, Will Robinson! Mitigating AI-washing risk in municipal securities disclosure” for The Bond Buyer

BY NEAL R. PANDOZZI • JULY 18, 2024

State and local issuers engaging in the offer and sale of municipal securities must comply with the antifraud provisions of federal securities laws. Recently, the SEC has focused its attention on disclosures related to artificial intelligence, including the use of machine-learning, generative models or algorithms, blockchain, and other similar emerging automated technologies, warning market participants of the risks associated with “AI-washing.” In his article in *The Bond Buyer*, Neal Pandozzi highlights recent SEC investigations focused on AI-washing, discusses two U.S. Supreme Court decisions that have the potential to reshape the SEC’s approach to securities fraud cases, including those related to AI-washing, and provides safety tips to avoid AI-washing. Here is an excerpt:

AI-washing occurs when entities embellish, overstate, exaggerate, or otherwise make unrealistic claims about their use of AI, to attract investors looking for AI-driven investment opportunities. Thus far in 2024, the SEC has investigated two investment advisors and one former CEO of a public company for allegedly making false or misleading statements regarding the beneficial uses of AI in their respective businesses.

The SEC’s recent scrutiny notwithstanding, in an effort to capitalize on AI’s growing popularity, state and local issuers are increasingly disclosing the beneficial impact of AI technologies (regarding their operations, projects, emerging industries or other enterprises) in their offering documents and other public statements.

Continue reading “[Danger, Will Robinson! Mitigating AI-washing risk in municipal securities disclosure](#)” on *The Bond Buyer* website (subscription required).