U.S. SENATE COMMITTEE ON
COMMERCE, SCIENCE, & TRANSPORTATIC
RANKING MEMBER TED CRUZ

For Immediate Release
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What They're Saying | The Protecting Innovation in Investment Act

Introduced by Sens. Ted Cruz (R-Texas) and Bill Hagerty (R-Tenn.)

WASHINGTON, D.C. – In case you missed it, U.S. Senate Commerce Committee Ranking Member Ted Cruz (R-Texas) and U.S. Senator Bill Hagerty (R-Tenn.) today introduced the ***Protecting Innovation in Investment Act*** to protect Americans' affordable access to financial markets. The Senators' legislation would block the U.S. Securities and Exchange Commission (SEC) from moving forward with its wide-ranging proposed **rule** that would strongly deter the use of technology in investing. To read more about the *Protecting Innovation in Investment Act*, **click here**.

The proposed legislation has strong support from over a dozen stakeholders. Read their statements of support below.

U.S. Chamber of Commerce

"The U.S. Chamber of Commerce commends Senators Cruz and Hagerty for sponsoring the 'Protecting Innovation in Investment Act' to stop the SEC from enacting its unworkable 'predictive analytics' rule. The SEC's proposal is impractical, stifles technological advancement, and hinders broker-dealers and investment advisers from delivering essential advice, communications, and educational services to investors. The Act aims to preserve the technological advances that have reduced trading costs and democratized access to American capital markets for millions of investors." **– U.S. Chamber Executive Vice President Tom Quaadman**

American Securities Association (ASA)

"The American Securities Association applauds Senator Cruz and Senator Hagerty's introduction of legislation that would prohibit the SEC from finalizing, implementing, or enforcing the Commission's Predictive Data Analytics Proposal. The SEC's policy ignores existing regulations governing the broker-dealer/customer relationship, is an attack on the use of technology, and if adopted, would harm millions of America's retail investors." **– Chris Iacovella, President & CEO, American Securities Association**

Institute for Portfolio Alternatives (IPA)

“The prospect of reverting to a time characterized by cumbersome technology and less investment choices is the last thing retail investors need. Unfortunately, this would be the unintended consequence of the SEC’s Predictive Data Analytics proposal. The SEC’s proposal would limit the use of technologies that help investors make better decisions, impede federally regulated intermediaries from using portfolio optimization technology, and discourage customized portfolio construction that could help investors achieve their financial goals. Now is not a time to confine portfolio-diversifying options or to stifle technological innovation that could reduce portfolio risk and improve investment performance. IPA and its members appreciate Senators Cruz and Hagerty introducing this legislation and strongly support it moving forward.” **– IPA President and CEO Anya Coverman**

Investment Company Institute (ICI)

“ICI applauds Senators Cruz and Hagerty for introducing this bill. The fact is the SEC proposal is flawed. It would roll back the clock on technology that investors use every day, calling everything from the most sophisticated technologies to simple spreadsheets into question under the new conflict of interest standard, and would be almost impossible to comply with, inhibiting firms’ use of technology to better serve investors. While it would be best that the SEC listen to commenters and withdraw the proposal, ICI thanks the senators for introducing this bill to remove the cloud of uncertainty created by the proposal and encourages swift progress through the U.S. Senate to protect American investors.” **– ICI President and CEO Eric Pan**

Financial Technology Association (FTA)

“Millions of Americans are turning to digital tools to build wealth and invest for the future,” said **Penny Lee, President and CEO of the Financial Technology Association.** “Unfortunately, the SEC’s overly broad predictive data analytics rule threatens to reverse this progress and bring us back to the era of faxes and typewriters. We appreciate the leadership of Senators Cruz and Hagerty for pushing the SEC to pause and reconsider this harmful rule.”

Financial Services Institute (FSI)

“The SEC’s proposed predictive data analytics rule poses significant unintended consequences for the independent financial services industry, making it impractical and unworkable. In addition to chilling innovation and the use of new technology throughout the industry, the proposal conflicts with existing regulations, such as Regulation Best Interest, and contradicts previous SEC guidance on conflicts of interest,” said **Financial Services Institute (FSI) President & CEO Dale Brown.** “This bill would prohibit the SEC from finalizing the rule and would allow the Commission to engage with the industry to better understand the use of technology in financial services and its benefits for Main Street investors.”

Insured Retirement Institute (IRI)

“The Insured Retirement Institute (IRI) opposes the U.S. Securities and Exchange Commission's (SEC) 'Conflicts of Interest Associated with Predictive Data Analytics by Broker-Dealers and Investment Advisers' rule. This proposed rule is overbroad, overreaching, and rife with flaws. IRI supports the legislation proposed by Senator Ted Cruz and Senator Bill Hagerty to prohibit the SEC from finalizing and implementing this damaging proposal,” said **Wayne Chopus, IRI President and CEO.**

“The proposal's broad definition of covered technology serves not to effectively establish guardrails for the future as intended but to paralyze and cast a shadow on the present. The SEC has offered no evidence to support this drastic overhaul of decades of effective regulation, which will deprive investors of access to essential and valuable resources without improving investor protection in any meaningful way.

“IRI is grateful to Senator Cruz and Senator Hagerty for their leadership in pursuing this legislation. We look forward to working with them on this important effort.”

The American Council of Life Insurers (ACLI)

“Middle-income savers depend on public policy that helps them build greater financial and retirement security. The SEC proposal is at odds with this. The “Protecting Innovation in Investment Act’’ is an essential protection for middle-income Americans ACLI supports to prohibit a harmful predictive data analytics regulation.

“The SEC failed to adequately consider existing state and federal regulations applicable to life insurance agents and professionals in the development of its proposal. Unprecedented and overbroad, the proposal goes around Regulation Best Interest to impose a back door fiduciary standard on sales activities. Such a standard would significantly reduce the ability of middle-income Americans to get the retirement security and guarantees of lifetime income they need.

“The SEC failed to adequately address the negative impacts its proposal would have on middle-income retirement savers. This important legislation would help ensure middle-income retirement savers maintain access to the products, education and information that are vital to a financially secure retirement.” **– Joyce Meyer, American Council of Life Insurers Executive Vice President, Government Relations**

Loan Syndications and Trading Association (LSTA)

“The SEC's proposed rule on conflicts of interest relating to predictive data analytics is overly broad, unworkable and unsupported by statutory authority,” **said Elliot Ganz, Head of Advocacy.** “The LSTA strongly supports the Protecting Innovation in Investment Act which prohibits the SEC from finalizing, implementing or enforcing the proposed rule.”

MFA

"MFA called on the SEC to withdraw its overly broad Predictive Data Analytics proposal last year and supports the Protecting Innovation in Investment Act. The SEC’s proposal will harm private funds and their investors by stifling alternative asset managers’ ability to use technology in operating their businesses, including the use of Excel spreadsheets. The Protecting Innovation in Investment Act will prevent the SEC’s proposal from harming markets, investment advisers, and institutional investors–including pensions, foundations, and endowments–by increasing the cost of investing and of conducting day-to-day business activities." **– Bryan Corbett, MFA President and CEO**

Securities Industry and Financial Markets Association (SIFMA)

“SIFMA strongly believes that the SEC should withdraw this proposal, which would be a radical departure from decades of federal securities law and completely upend today’s well-functioning regulatory regimes that ensure investors’ interests are protected through Regulation Best Interest and the Investment Advisers Act’s fiduciary duty, among other requirements. Broker-dealers and investment advisers rely on the technologies targeted by this proposal to provide critical educational tools and financial benefits to their customers, especially low- to middle-income retail investors and retirement savers. This proposal would curtail access to these important technologies, harming the very investors the proposal aims to protect. We thank Senators Cruz and Hagerty for their leadership on this issue.”

National Bankers Association (NBA)

"The National Bankers Association supports Senators Ted Cruz (R-TX) and Bill Hagerty (R-TN)'s *Protecting Innovation in Investment Act*. The NBA appreciates their legislation for safeguarding affordable access to financial markets and addressing the NBA's concern about the potential negative impact of the SEC's rule on innovation technology in finance. As the premier trade association for Minority Depository Institutions, the NBA thanks Senators Cruz and Hagerty for their commonsense approach in protecting Americans' participation in financial markets and wealth-building."

Alternative Investment Management Association (AIMA)

"The SEC's predictive data analytics proposal unfairly targets the use of technology vital to financial markets and investor interests. The rule doesn't only inhibit the development of emerging technologies, it also impairs the use of almost any technology in any decision making related to investment management. The scope of the proposal is so broad that the SEC itself acknowledges it might be impossible for firms to meaningfully comply with the proposal without giving up on the use of particular technologies such as AI. Given that automation of portfolio management and execution decisions is a major global trend, hampering the adoption and utilization of modern technologies would significantly reduce the competitiveness of the US industry. For these reasons, AIMA fully supports the Protecting Innovation in Investment Act and strongly agrees that the proposed rule should be withdrawn." **– Jiří Król, Deputy CEO, Global Head of Government Affairs of AIMA**

American Investment Council (AIC)

"The SEC's proposed definition of "covered technology" is so incredibly broad that it applies to almost any mechanical device, potentially even a telephone. This extreme, expansive definition – along with the unworkable set of compliance conditions - would discourage firms from using basic technologies and ultimately hurt their investors. This rule would cause undeniable harm to the U.S. capital markets and investors."

National Association of Insurance and Financial Advisors (NAIFA)

"Investment advisers and broker-dealers rely on technology to both directly and indirectly benefit investors by providing efficiencies that reduce costs. The SEC Proposed Rule broadly classifies technology used in connection with investment issues and imposes new burdensome requirements without an analysis of any corresponding benefits of technology," said **Tom Cothron, NAIFA President**. "NAIFA strongly believes that modifying the existing regulatory structure to adopt new conflict of interest rules for PDA technology is unnecessary at this time and will hurt the future development of technology that will benefit consumers."

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