Bill Summary: Advancing Uniform Disclosure of Investments and Transparency of Artificial Intelligence (AUDIT AI) Act

Background:
The AI buildout is driving an extraordinary amount of investment into data centers, chips, power, and other infrastructure. Industry projections estimate that global data center investment could reach nearly $7 trillion by 2030. Much of this investment is being funded through complex financing arrangements that make it difficult for investors and policymakers to understand the broader financial exposure and the underlying risks. As the number of AI infrastructure projects continue to grow, it is important that we have a better understanding of public companies' financial exposure across both the AI sector and broader economy.

Section-by-Section:

1. ***Short Title***

2. ***Definitions***

3. ***Improving Corporate Governance and Oversight Over Artificial Intelligence –*** AI is an increasingly strategic business asset and a material source of operational, financial, legal, cybersecurity, and reputational risk. Greater governance transparency requirements enable investors to evaluate whether companies have appropriate controls over AI development, deployment, and risk management.

   Bill Requirements:

   - Requires public companies to disclose whether they have an AI governance policy.
   - Requires public companies to disclose whether they have a designated committee on the Board of Directors dedicated to AI governance.

4. ***Improving Transparency of Artificial Intelligence Infrastructure Financing –*** Construction of AI-related infrastructure has often involved opaque financing arrangements. Some of these arrangements can obscure a company's financial commitments by shifting debt off public financial reporting even though a company may maintain significant operational control of the underlying assets.

   Bill Requirements:

   - Requires the SEC to create rules for non-financial public companies to disclose all joint ventures, special purpose vehicles (SPVs), variable interest entities (VIEs) or other affiliated entities related to artificial intelligence infrastructure in their offering statements, quarterly and annual reports.
   - Requires the SEC to create rules for non-financial public companies to disclose all debt arrangements or other contractual commitments used to finance artificial intelligence infrastructure (including leases, guarantees, servicing agreements, and other relevant commitments), entered into as of a date determined by the SEC.

5. ***Study on Corporate Financial Reporting Relating to Artificial Intelligence –*** Over the past 50 years, the primary sources of value for public companies has shifted from tangible assets (such as property, plant, and equipment) toward intangible assets (such as intellectual property, data, and AI capabilities.) Given this trend, investors face greater challenges in evaluating companies whose economic value is increasingly tied to innovation and internally developed intangible resources.

   Bill Requirements:

   - Requires the SEC to study issues specific to financial reporting for research and development of artificial intelligence.

- Requires the SEC to conduct a cost-benefit analysis of providing specific non-binding guidance on the typical useful life of artificial intelligence infrastructure and imposing a requirement for a public company to provide justification if they use an assumption that substantially differs.

- Requires the SEC to conduct a cost-benefit analysis on a requirement to disaggregate revenues and capital expenditures that are specific to artificial intelligence; and contemplates whether non-recurring or pilot-based figures should have their own line item.

- Requires the SEC to conduct the study in consultation with public companies, investors, accounting firms, standard setting organizations and other relevant private sectors entities.

6. ***Artificial Intelligence Risk Disclosure –*** AI introduces unique risks which can materially affect a company's financial condition and future performance.

   Bill Requirements:

   - Requires the SEC to issue rules to standardize an artificial intelligence risk exposure, which includes but not limited to specific categories such as: (1) dependence on third party foundation models; (2) concentration of compute providers; (3) volatility in inference and training costs; and (4) liabilities tied to data licensing or usage rights; (5) reliance on foreign frontier models.

7. ***Annual Report on Impact of Automated Investment Strategies on Price Discovery –*** AI is likely to reshape financial markets. Greater reliance on AI-driven trading may improve market efficiency but also increase herding effects as similar algorithms respond to the same signals. Concentrated algorithmic strategies and growing market interconnectedness may amplify volatility and transmit shocks more rapidly across markets.

   Bill Requirements:

   - Requires the SEC to publish an annual report that assesses how emerging technologies are affecting market structure and price discovery, including with respect to the concentration of herding behavior among automated or technology-enabled market participants.

   - Requires the SEC to provide legislative recommendations for Congress on how to preserve fair, orderly and efficient markets; and maintain the integrity of fundamental economic value disclosures as technology and investment strategies evolve.