TOPICS:

Technology

SOURCE:

Financial Industry Regulatory Authority

FINRA: GenAI - Continuing and Emerging Trends

- FINRA outlines regulatory expectations, observed practices and emerging risks associated with the use of **generative artificial intelligence** (**GenAI**), emphasizing that existing securities laws and FINRA rules apply equally to AI-enabled activities . FINRA reiterates that its regulatory framework is **technology-neutral** and that firms must assess compliance obligations before testing or deploying GenAI tools.

- FINRA observes that member firms are primarily deploying GenAI to **improve efficiency**, especially for internal processes and information retrieval. The most prevalent use case is summarization and information extraction from large volumes of unstructured data. To support responsible adoption, FINRA highlights several **key considerations**, including enterprise-level governance, risk identification and mitigation and cybersecurity preparedness. Identified risks include hallucinations, bias, misinterpretation of regulatory requirements and the use of outdated or skewed training data.

- From a **governance perspective**, FINRA emphasizes the importance of formal review and approval processes, cross-functional expertise, comprehensive documentation and robust model risk management frameworks. Firms are encouraged to conduct thorough testing across areas such as accuracy, privacy and reliability, and to implement ongoing monitoring of prompts, outputs and model versions, supported by human-in-the-loop controls.

- The document also addresses **emerging trends in AI agents** - **systems** capable of autonomous decision-making and task execution. While such agents may enhance automation and efficiency, FINRA identifies heightened risks related to autonomy, scope creep, auditability, data sensitivity and misaligned incentives. Firms exploring AI agents are advised to consider whether additional supervisory, operational, or control mechanisms are required, including access restrictions, action tracking, and defined guardrails.

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