

**MEMO# 35759**

June 28, 2024

# **FINRA Reminds Members of Regulatory Obligations When Using Generative Artificial Intelligence and Large Language Models**

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TO: ICI Members

Broker/Dealer Advisory Committee

SEC Rules Committee

Technology Committee SUBJECTS: Technology and Business Continuity RE: FINRA Reminds Members of Regulatory Obligations When Using Generative Artificial Intelligence and Large Language Models

On June 27, 2024, FINRA published a regulatory notice reminding member firms that as they incorporate the use of generative artificial intelligence (Gen AI) or similar tools into their businesses, "they should be mindful of the potential implications for their regulatory obligations." [\[1\]](#) In the notice, FINRA reminded member firms "that FINRA's rules—which are intended to be technology neutral—and the securities laws more generally, continue to apply when member firms use Gen AI or similar technologies in the course of their businesses, just as they apply when member firms use any other technology or tool." The notice does not create new legal or regulatory requirements or new interpretations of existing requirements, nor does it relieve member firms of any existing obligations under federal securities laws and regulations.

The notice stated that "Gen AI technology presents both promising opportunities for investors and member firms and some attendant risks." Following a brief discussion on potential uses of Gen AI tools, the notice cautions that "the development of Gen AI also has been marked by concerns about accuracy, privacy, bias, intellectual property, and possible exploitation by threat actors, among others."

The notice stated that "FINRA intends for its rules and guidance to be technologically neutral and to function dynamically with evolutions in technology and member firms' processes." The notice addressed regulatory obligations when using Gen AI tools by indicating that "[i]f a firm is using Gen AI tools as part of its supervisory system—for the review of electronic correspondence, for instance—its policies and procedures should

address technology governance, including model risk management, data privacy and integrity, reliability and accuracy of the AI model." It further noted that "FINRA rules apply whether member firms are directly developing Gen AI tools for their proprietary use or when leveraging the technology of a third party, including through embedded features in existing third-party products."

FINRA noted that "[a]s with any technology or tool, a member firm should evaluate Gen AI tools prior to deploying them and ensure that the member firm can continue to comply with existing FINRA rules applicable to the business use of those tools." Finally, the notice stated that "[t]he rules applicable to Gen AI use will depend on how a member firm deploys the technology, and FINRA will consider issuing further guidance on how particular rules may apply with respect to specific use cases."

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#### **Notes**

[1] FINRA Regulatory Notice 24-09, FINRA Reminds Members of Regulatory Obligations When Using Generative Artificial Intelligence and Large Language Models (June 27, 2024), available at <https://www.finra.org/rules-guidance/notices/24-09>.

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