



# AI Regulatory Rundown: Your 2025 Guide

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# Introduction

As firms adopt AI to enhance personalization, automate processes, and uncover new opportunities, regulators are moving to keep pace. The SEC, FINRA, FCA and EU have all issued early guidance or commentary on how AI tools must be used responsibly, highlighting risks around transparency, conflicts of interest, and recordkeeping. The message is clear: innovation doesn't excuse noncompliance. It raises the bar for it.

## **Why does this matter?**

Because the rules are no longer catching up to AI, they're beginning to shape it. Missteps today could lead to enforcement tomorrow: inadequate supervision, discriminatory algorithms, or off-channel communication gaps could trigger scrutiny, reputational damage, or fines.

At Comply, we help firms turn that pressure into clarity.

This AI Regulatory Rundown breaks down the current regulatory landscape, from the SEC's risk alerts to FINRA's ethical considerations and the FCA's governance expectations and lays out what firms can do now to build resilient, future-ready compliance programs.

Whether you're just starting to explore AI or already integrating it across workflows, one truth holds: compliance must be built in, not bolted on.

# Section 1: THE SEC



Even when proposed SEC rules are pulled back, they leave behind a kind of regulatory fingerprint that reveals clues about what examiners may be scrutinizing, especially as firms experiment with AI.”

– Megan Essig, Compliance Consultant, Comply

## WITHDRAWN RULES

Conflicts of Interest Associated with the Use of Predictive Data Analytics by Broker-Dealers and Investment Advisers

**Proposed date:** July 26, 2023

**Withdrawal date:** June 12, 2025

**Summary:** The SEC’s withdrawn proposal, aimed to regulate how firms use AI and similar technologies in investment related activities. The proposal would have required firms to identify any use of predictive tools like machine learning that could influence investment behavior, assess whether those uses created conflicts of interest favoring the firm, and, if so, eliminate or neutralize those conflicts (disclosure alone wasn’t sufficient). Firms would also need written policies and procedures, as well as detailed records proving compliance.

**Who does this apply to:** Investment advisers/ Broker-dealers

**Why it matters:** It would require firms to eliminate, not just disclose conflicts created by predictive tools like machine learning. For investment advisers and broker-dealers, that meant rethinking how tech guides investor decisions and whether it serves the firm over the client. As AI becomes increasingly prominent, regulators are watching how AI shapes outcomes.

**Compliance tip:** Even though the SEC withdrew its July 2023 proposed rule on predictive data analytics, firms should continue to assess whether AI or algorithmic tools that they currently use, or are considering implementing, may present conflicts of interest that should be disclosed to clients or investors, especially if those tools optimize for firm revenue or engagement.

# Section 2: FINRA

## AMENDED RULES

### Application of FINRA Rules to AI-Generated Communications and Supervisory Systems

**Publication Date:** June 27, 2024 (Regulatory Notice 24-09)

**Summary:** FINRA's Regulatory Notice 24-09 reaffirms that its rules and applicable securities laws are *technology neutral*, meaning they apply equally to communications and supervisory systems generated or assisted by artificial intelligence (AI). The Notice does not introduce new requirements; instead, it emphasizes that existing compliance, supervision, and recordkeeping standards continue to apply to the use of AI tools in regulated activities.

#### **Key FINRA Rules Cited in the Notice:**

- **Rule 2210 (Communications with the Public):** AI-generated content is subject to the same content, approval, and recordkeeping standards as any other communication. It must be fair, balanced, and not misleading.
  - **Application to AI:** This rule governs all broker-dealer communications with retail and institutional audiences. Under Regulatory Notice 24-09, FINRA confirms that AI-generated or AI-assisted communications (e.g., emails, chatbots, marketing copy, client disclosures) must adhere to the same standards as human-generated ones. This includes content being fair, balanced, and not misleading, with appropriate approvals and recordkeeping.
  - **Why it matters:** AI systems can quickly produce persuasive, human-like content, but without proper controls, they can also generate inaccurate, misleading, exaggerated, or non-compliant statements. This rule ensures AI doesn't become a backdoor for regulatory violations.
  - **Compliance Tip:** Since this is an area of increasing risk for Firm's should ensure that all AI-generated public-facing content is routed through existing review workflows, reviewed by a human to make sure it makes sense, logged for audit purposes, and approved by registered principals as required.

## Section 2: FINRA

- **Rule 3110 (Supervision):** Firms deploying AI for supervisory functions must ensure their systems address AI-specific risks, including model governance, data integrity, reliability, and accuracy. Supervisory policies should be updated to account for AI-related use cases.
- **Application to AI:** Firms must establish and maintain a system to supervise the activities of associated persons, including the deployment and oversight of AI tools. Regulatory Notice 24-09 clarifies that supervisory systems must include AI-specific risk management, such as:
  - Model governance
  - Data validation and integrity
  - Output reliability
  - Vendor risk assessment (for third-party AI tools)
- **Why it matters:** AI can influence recommendations, trade decisions, customer communications, and more. Without clear supervision, firms risk regulatory exposure for system failures, concentration risks, biased outputs, or poor decision auditability.
- **Compliance Tip:** Document how AI tools are selected, tested, integrated, and monitored. Assign accountability for oversight and update Written Supervisory Procedures (WSPs) to reflect AI usage. Remember accountability cannot be delegated to AI.

## Section 2: FINRA

### Other Rules Potentially Implicated (Not Explicitly Cited):

- **Rule 2200 Series (Advertising):** While not directly mentioned, firms marketing AI-enabled tools or services should ensure compliance with advertising standards, especially for retail-facing content.
  - **Application to AI:** Although not explicitly cited in the notice, these rules apply if AI tools are used in marketing or promotional activities, particularly with retail investors. That includes AI-generated ads, social media posts, or interactive content.
  - **Why it matters:** AI can amplify non-compliant messaging or create unclear claims, particularly around performance or innovation. Rules under this series (like 2212 and 2213) ensure marketing is transparent, not exaggerated, and includes necessary disclosures.
  - **Compliance Tip:** Treat AI-generated promotions like any other retail communication: pre-approve them, read for content, document disclosures, and avoid implied guarantees
- **Rule 3120 (Supervisory Control Systems):** While not mentioned in the notice, it may be relevant where AI tools are embedded into core compliance or supervisory frameworks.
  - **Application to AI:** Requires firms to test and verify the effectiveness of supervisory procedures. If AI tools are embedded in control systems (e.g., trade monitoring, alerts, escalations), they must be evaluated for effectiveness
  - **Why it matters:** AI-based controls may produce false positives or miss critical violations. Without proper oversight, this could lead to supervisory failures and eventually enforcement actions.
  - **Compliance Tip:** Incorporate AI-driven controls into your 3120-review framework, documenting testing protocols, exception handling, and system tuning.

## Section 2: FINRA

### Other Rules Potentially Implicated (Not Explicitly Cited):

- **Rule 4511 (Recordkeeping):** Not explicitly cited but implied by the notice's focus on documentation and oversight. AI-generated materials must still be retained under existing books and records rules.
  - **Application to AI:** While not explicitly cited, this rule reinforces the requirement to maintain accurate, complete, and accessible records. Any AI-generated communication or supervisory decision-making process must be retained in a compliant format.
  - **Why it matters:** AI-generated outputs are often dynamic (e.g., chatbot interactions, automated reports). Without proper retention, firms may fail exams or investigations due to insufficient documentation.
  - **Compliance Tip:** Ensure all AI interactions, especially those involving customer communications or trade oversight are archived in a WORM-compliant format and retrievable upon request.
- **Who does this apply to:** All FINRA member firms (broker-dealers) are subject to these expectations, regardless of whether they use proprietary or third-party AI systems. The guidance applies across all areas where AI may be integrated into operations, marketing, or compliance workflows.
- **Why it matters:** Using AI does not relieve firms of their regulatory responsibilities. Firms must demonstrate documented oversight of AI tools, conduct vendor due diligence, ensure data quality, and maintain robust compliance governance. These steps are essential to mitigate audit and enforcement risks as AI adoption increases across the financial services industry.



# Section 3: FCA

## PROPOSED FRAMEWORKS

The FCA's approach to AI is actively evolving, rooted in existing rules and risk-based supervision. They emphasize safe, proportionate adoption over prescriptive AI regulation, but signal a willingness to adapt frameworks as needed.

### *AI Live Testing & Sandbox Expansion*

#### **Proposal phase: Ongoing**

- **Summary:** While not a formal rule, the FCA is actively piloting an AI-specific extension of its Regulatory Sandbox and Digital Sandbox environments. These initiatives aim to test high-impact AI use cases under regulatory oversight using synthetic data, and potentially preempt harms before full-scale deployment. The FCA is also exploring an "AI & Digital Hub" in partnership with fellow UK regulators through the Digital Regulation Cooperation Forum (DRCF).
- **Who does this apply to:** All FCA regulated firms
- **Why it matters:** The FCA is preparing for AI's increased use in financial services, especially as firms adopt generative models or AI-driven risk assessment tools. Early testing may provide a safe path to adoption while avoiding unintended consumer harm or systemic bias.
- **Compliance tip:** While no formal AI sandbox rule exists yet, firms considering AI deployments should proactively assess how their tools align with existing FCA rules on systems and controls (SYSC), Consumer Duty obligations, and data fairness. Use pilot environments like the Digital Sandbox to pressure-test transparency, and bias mitigation strategies.

# Section 3: FCA

## CURRENT STATUS

### *AI as Regulated Under Existing Rules*

#### **Effective now:**

- Principles for Business (PRIN)
  - SYSC (systems & controls, operational resilience, outsourcing)
  - SM&CR (Senior Manager accountability)
  - Consumer Duty
  - DISP (complaints handling)
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- **Why it matters:** AI is not unregulated in the UK. The FCA applies a technology-agnostic framework, expecting firms to manage AI risks just as they would any other operational or governance risk.
  - **Compliance tip:** Firms must document how AI impacts decision-making, including consumer outcomes. If AI tools result in exclusion, bias, or product mismatches, that could violate Consumer Duty standards. SMF managers may already be accountable under SM&CR, even without a dedicated “AI function.”

# Section 4: THE EU

## CURRENT STATUS

### Artificial Intelligence Act (AI Act)

**Adopted:** July 12, 2023

**Entered into Force:** August 1, 2024

#### **Key Effective Dates:**

- Prohibited (unacceptable risk) AI systems banned as of February 2, 2025
  - Transparency rules for general-purpose AI effective August 2025
  - High-risk system compliance obligations begin August 2026
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- **Summary:** The EU AI Act establishes a tiered risk-based regulatory framework for AI systems used in the EU. It categorizes AI tools into four risk levels: minimal, limited, high, and unacceptable. While minimal-risk tools like spam filters face no regulation, high-risk systems such as those used in employment, credit scoring, and border control must meet strict requirements for transparency, testing, and human oversight. Certain AI systems, such as social scoring or real-time biometric surveillance, are outright banned due to unacceptable risk.
  - **Who does this apply to:** AI providers and deployers operating in or placing systems on the EU market, including U.S. firms offering AI-enabled services in Europe.
  - **Why it matters:** Even U.S.-based firms offering general-purpose or embedded AI functions in products accessible in the EU must now assess AI usage under this law. It's not enough to comply with domestic regulation, EU rules apply based on market access, not location.
  - **Compliance tip:** AI and compliance teams should begin mapping which systems are subject to the Act's transparency or risk obligations. Start with inventories, risk tier assessments, and AI impact documentation, especially for tools that influence decisions on people's employment or finances.

# Turning Pressure Into Progress

Regulators aren't waiting for AI to mature; they're shaping its boundaries now. From the SEC's conflict scrutiny to FINRA's guidance on AI-generated communications, the message is clear: compliance must evolve alongside the technology. That's not a warning. It's an opportunity.

At Comply, we help firms meet this moment with confidence. Our experts translate shifting expectations into clear, workable action. And our solutions are purpose-built to integrate compliance from day one. Where some see regulatory pressure, we see momentum.

Comply is more than a platform. We're a partner that understands the nuance, anticipates what's ahead, and equips you to lead, so your AI strategy isn't just compliant. It's future ready.

Let's talk. [Book a meeting](#) to see how Comply can help you build smarter, stronger compliance and stay ahead of the AI curve.



Ready to get ahead of the AI curve?

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**Let's Talk.**