



The Use of AI in Financial Services

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Cybersecurity and Privacy

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AI in Financial Services

- ❖ **How AI is being used in investment markets**
- ❖ **Potential opportunities:**
 - Enhance efficiencies for firms
 - Expand access to higher-quality products and services for investors
- ❖ **Potential risks:**
 - “AI washing”
 - Particular risks with customer-facing use of AI
 - “Black box” problem, model and data risk
 - Bias and conflicts of interest
 - Systemic risk
 - Regulatory challenges
- ❖ **Firm oversight must be proactive, not reactive**
- ❖ **Regulatory oversight and need for resources to keep pace**





Illustrative Opportunities and Risks in the Securities Markets



- Efficiency
- Oversight



- Data
- Education



- Misconduct

ABA Key Principles in AI Policy

- **Banks are subject to an existing regulatory framework that mandates strong risk-management principles and regular examinations by federal and state regulators.**
- **The banking industry uses AI tools responsibly in many areas such as fraud prevention, customer service, lending, and risk management, among others.**
- **ABA encourages multi-jurisdictional cooperation to enact technology-neutral, industry-focused laws that recognize banks' mature risk management framework.**
- **Laws should implement consistent and flexible industry standards to ensure institutions can continue to develop and adopt emerging technologies.**

Questions & Answers

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