

AI for Broker-Dealers and Investment Advisers: Legal and Regulatory Considerations

Published by *LexisNexis Practical Guidance*

June 2026

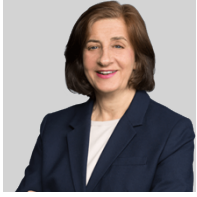
This practice note discusses legal and regulatory considerations for broker-dealers and investment advisers implementing artificial intelligence (AI) technologies in their operations. It discusses obligations under Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA) rules, as well as under the Investment Advisers Act of 1940, for broker-dealers and investment advisers using AI in various parts of their operations, including emerging AI trends such as generative AI and AI agents. Key broker-dealer considerations include establishing an AI governance team, AI model explainability and output accuracy, recordkeeping of AI usage and output, supervision of third parties, and pitfalls relating to AI communications with the public. This practice note also highlights obligations under Regulation S-P and Regulation S-ID regarding privacy and data protection, as well as litigation risks. Overall, the practice note emphasizes that firms using AI should integrate these tools into existing supervisory, compliance, privacy, and risk-management frameworks rather than treating AI as a standalone technology issue.

["AI for Broker-Dealers and Investment Advisers: Legal and Regulatory Considerations,"](#) *LexisNexis Practical Guidance*, June 2026

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