

## Artificial Intelligence in the Financial Industry

### Insights from the Securities and Exchange Commission Roundtable

On March 27, 2025, the SEC conducted a roundtable entitled “Artificial Intelligence in the Financial Industry.” The panel consisted of numerous financial industry participants, as well as senior members of government, including from FINRA and the Department of Treasury. Acting Chairman Mark Uyeda, Commissioner Hester Peirce and Commissioner Caroline Crenshaw also spoke and highlighted the SEC’s desire to encourage AI innovation while protecting investors from harm. They made clear that the Commission intends to take a tailored approach to regulating AI use and aims to not stifle innovation. Below are our key takeaways:

#### AI-Related Threats That Could Trigger Increased Enforcement

- Investment frauds committed via AI-generated deepfakes: The roundtable raised concerns that AI can generate fake images, documents and even videos, thus enabling bad actors to carry out more sophisticated scams.
- Increased cyber-attacks committed through agentic AI<sup>1</sup>: If used maliciously, agentic AI can craft hyper-personalized phishing messages and autonomously learn and improve its performance in subsequent cyber-attacks.
- Market manipulation enhanced by generative AI<sup>2</sup> and/or agentic AI: AI trading agents, if unchecked, can adopt strategies that could manipulate prices and engage in collusion.

#### AI Hallucinations May Pose Liability Risks to Companies

AI hallucinations occur when artificial intelligence produces inaccurate or misleading information, including information that is inconsistent with company policy. The roundtable noted that AI hallucinations are unlikely to be completely “trained” away and pose legal risks to companies. Although there are open questions about how legal liability is assigned when the technology acts in unexpected or potentially criminal ways, some factfinders have already signaled that they are not a fan of the “blame the AI” defense.

For example, in 2024, the British Columbia Civil Resolution Tribunal held Air Canada liable for negligent misrepresentation after the company’s chatbot gave incorrect information to a passenger about a refund. The Tribunal specifically rejected the company’s arguments that it was the AI chatbot’s fault and that the AI chatbot should be considered a separate entity that is responsible for its own actions. Instead, the Tribunal held the company responsible for all of the information on its website, regardless of whether it came from a chatbot or not.

#### Companies Should Understand How Regulators Define “Artificial Intelligence”

During the roundtable, there was much debate about how “artificial intelligence” should be defined in the industry, and whether the term should even be defined. Putting aside whether companies agree with a definition or not, companies should nonetheless understand how regulators are defining and using the term “artificial intelligence.”

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<sup>1</sup> Agentic AI is a type of artificial intelligence that relies on data and patterns to independently make decisions, take actions and adapt its performance.

<sup>2</sup> Generative AI is a type of artificial intelligence that creates new content based on existing data and user prompts.



Certain states like Colorado and California have already developed their own definition of AI to regulate its use, and companies need to understand these definitions so that they can quantify their legal risk when using this technology.

## Conclusion

The SEC understands that artificial intelligence is here to stay and that the technology is developing at lightning speed. Expect the SEC and other regulators to continue developing expertise in AI and to monitor key threats in this space.

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## Key Contacts

Our [White Collar and Regulatory Enforcement](#) team is available to help individuals and businesses (including AI developers and users) navigate investigations and enforcement actions brought by governmental agencies, including the SEC.

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