

THE REVIEW OF  
**BANKING & FINANCIAL  
SERVICES**  
A PERIODIC REVIEW OF SPECIAL LEGAL DEVELOPMENTS  
AFFECTING LENDING AND OTHER FINANCIAL INSTITUTIONS

Vol. 40 No. 11 November 2024

## THE SLOW BURN OF ARTIFICIAL INTELLIGENCE REGULATION IN THE FINANCIAL SERVICES INDUSTRY

*Artificial Intelligence (“AI”) has become a formidable ally to the financial services industry by fundamentally altering operations and creating efficiencies across various functions. As financial institutions increasingly integrate AI into their business models, heightened expectations for transparency and accountability have raised concerns among U.S. regulators, who, while acknowledging AI’s advantages, have raised concerns about the potential for systemic risk. The SEC and CFTC, for example, are examining existing law and guidance for their applicability to the unique challenges posed by AI and weighing the need for specific regulations targeted at the technology. This article explores how AI has empowered financial institutions to enhance their performance and competitiveness, while also examining best practices for navigating the evolving landscape of regulatory oversight.*

By Michelle N. Tanney, Theresa M. Weisenberger, and Isabelle Corbett Sterling \*

AI has revolutionized the private sector, fundamentally altering both day-to-day operations and long-term strategies. Its applications are extensive and increasingly integral to the financial ecosystem, from automating routine tasks to detecting fraudulent activities in real-time. AI’s benefits, including unparalleled opportunities for efficiency gains, enhanced security measures, and improved regulatory compliance, will continue to influence the rapid scale and spread of use in the sector, with the International Monetary Fund

projecting that financial institutions will spend double on AI by 2027.<sup>1</sup>

---

<sup>1</sup> Jeff Kearns, International Monetary Fund, Finance & Development Magazine, “AI’s Reverberations Across Finance” (Dec. 2023), available at <https://www.imf.org/en/Publications/fandd/issues/2023/12/AI-reverberations-across-finance-Kearns>.

---

\* MICHELLE N. TANNEY is a partner in Baker & Hostetler LLP’s New York office. She counsels clients on compliance with the federal securities laws and represents public companies and corporate executives in complex civil and regulatory enforcement actions. THERESA M. WEISENBERGER is a partner of the same firm’s Atlanta office. She counsels clients navigating the complex and evolving world of AI. ISABELLE CORBETT STERLING is a counsel at the same firm’s San Francisco office. Her practice focuses on derivatives and fintech. Their e-mail addresses are [mtanney@bakerlaw.com](mailto:mtanney@bakerlaw.com), [tweisenberger@bakerlaw.com](mailto:tweisenberger@bakerlaw.com), and [isterling@bakerlaw.com](mailto:isterling@bakerlaw.com).

---

### IN THIS ISSUE

● **“NAKED” SECTION 363 SALES IN RESTRUCTURINGS OF LIFE SCIENCES COMPANIES MAY MAXIMIZE VALUE, Page 117**