



Practical Legal and Compliance Considerations for Developing and Deploying AI

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Discussion Summary

The accelerating use of artificial intelligence (AI) across financial services has created significant challenges for governing a technology that evolves more quickly than applicable legal and regulatory guidance. Participants noted that AI is increasingly embedded in functions ranging from underwriting and fraud detection to document generation, research, internal operations, and human resources, raising questions about model validation, risk management expectations, and the frequency and scope of testing needed to ensure responsible use. Institutions described the importance of establishing policies prior to deployment, building comprehensive inventories of AI-related touchpoints, and ensuring that both internal stakeholders and external partners maintain adequate oversight.

Participants stressed that effective governance requires not only technical controls but rigorous documentation, staff education, and a commitment to keeping human judgment central to high-risk decisions. The discussion also highlighted the complexities of third-party oversight, contractual allocation of liability, and the difficulty of pricing risk amid significant uncertainty, especially for smaller institutions seeking efficiencies. While regulatory clarity remains limited, participants agreed that proactive assessments, transparent validation practices, and alignment with existing risk management frameworks are necessary to navigate this period of rapid technological expansion.

Key Takeaways

- Effective AI governance requires clear internal policies, comprehensive inventories of AI use cases, and rigorous testing and validation processes that ensure human oversight remains central to consequential decisions.
- Oversight expectations extend across the third-party ecosystem, necessitating stronger contractual protections, transparent access to data, and clear allocation of liability as vendors increasingly incorporate AI into their services.
- Regulatory uncertainty persists, making proactive documentation, risk assessments, and adherence to established risk management frameworks essential for institutions seeking to balance innovation with safety, soundness, and consumer protection.