

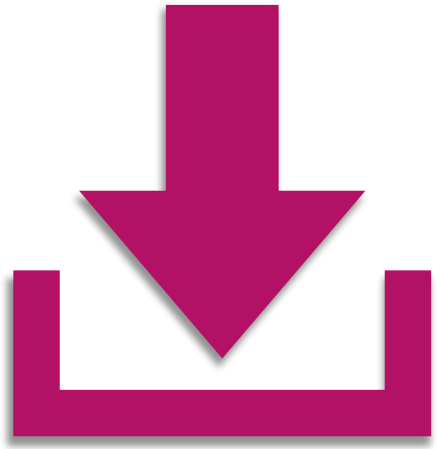
Artificial Intelligence Note-Takers: Ethics, Compliance, Privacy, and Best Practices for Investment Advisers

INVESTMENT ADVISER REPRESENTATIVE CONTINUING EDUCATION

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https://www.ria-compliance-consultants.com/AI-Note-Taker-Compliance



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Investment Adviser Rep Continuing Education

This Course Has Been Approved by NASAA For 1 Hour of IAR CE Under Ethics Category

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If you have questions about the content of this course or need technical help, please contact us via the email address below:

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Regulatory Resources

- SEC's Fiscal Year 2026 Examination Priorities

  https://www.sec.gov/files/2026-exam-priorities.pdf
- Recording Phone Calls and Conversations Under the Law: 50-State Survey (9/2024)

  https://www.justia.com/50-state-surveys/recording-phone-calls-and-conversations/
- SEC 204-2 - Books and Records

  https://www.law.cornell.edu/cfr/text/17/275.204-2
- Regulation S-P

  https://www.sec.gov/rules-regulations/2024/06/s7-05-23

Limitations & Exclusions

RCC Does Not Recommend General Use of AI Note Takers Nor Any Particular Provider

There Will Be New Regulatory Issues Related to AI Note Takers Not Addressed In This Course Due to Lack of Precendent

RCC Is Not a Cybersecurity Consultant

Course Overview

- Background
- Consent
- Accuracy
- Books & Records
- Vendor Due Diligence
- Common Failures
- Policy & Procedures
- Best Practices

Background
What Are AI Note Takers

- **Common functions include:**
  - Audio recording
  - Transcription
  - Meeting summaries
  - Task and follow-up extraction
- **These tools may operate:**
  - Automatically
  - In the background
  - Through third-party vendors



Common AI Note-Takers IARs May Encounter

- Microsoft Teams (built-in transcription & AI capabilities)
- Otter.ai (real-time transcription & summaries)
- Fireflies.ai (meeting transcripts & searchable notes)
- Zoom AI Companion (platform-native summaries)
- Zocks.io (built for financial advisors)

How AI Note Takers Are Actually Being Used by IARs

- Automatic recording of all meetings
- “Silent” bots joining calls
- Calendar-based auto-activation
- Recording of sensitive meetings
- AI summaries uploaded directly into CRMs
- Individual IAR adoption without firm approval (“shadow AI”)

Convenience vs. Responsibility

- AI tools can improve efficiency
- Efficiency does **not** reduce fiduciary duty
- Responsibility for notice, consent, accuracy, confidentiality, and supervision remains
- Technology does not change core ethical obligations

Why AI Note Takers Are a Compliance Issue

:

- Record client communications
- Create regulated books and records
- Introduce third-party vendor risk
- Capture sensitive or privileged information
- Create discoverable material in investigations or litigation

Consent: State Recording Laws

- Majority of states permit one-party consent
- Other states require all-party consent
- Meetings often include participants in multiple jurisdictions
- Participant locations may be unknown
- **Best Practice:** Apply the strictest consent standard to all meetings

Legal Risks Associated with Violating Multi/Two Party Consent Requirement

Civil liability

- Lawsuits by meeting participants
- Statutory damages, actual damages, and attorneys' fees
- Class-action exposure if violations are widespread

Criminal exposure

- Some states impose criminal penalties for unlawful interception

Exclusion of evidence

- Illegally recorded conversations or transcripts may be **inadmissible** in litigation, arbitration, or regulatory proceedings
- Firms may be unable to rely on AI-generated recordings or summaries to defend actions or support claims

Consent by All Parties Comes First

- AI transcription and summarization are legally treated as recording
- Federal and state recording laws apply
- Silence may **not** constitute consent
- Disclosure must be clear and affirmative
- Require consent **every time** such a tool is used
- **Ethical overlay:** Transparency is critical component to maintaining trust (and meeting fiduciary duty).

Handling Participants Who Do Not Consent

Firm procedures should address:

- Whether recording stops
- Whether the AI tool is removed
- Whether the meeting is rescheduled or modified
- Alternative documentation methods

Consent issues must be resolved **before** the meeting proceeds

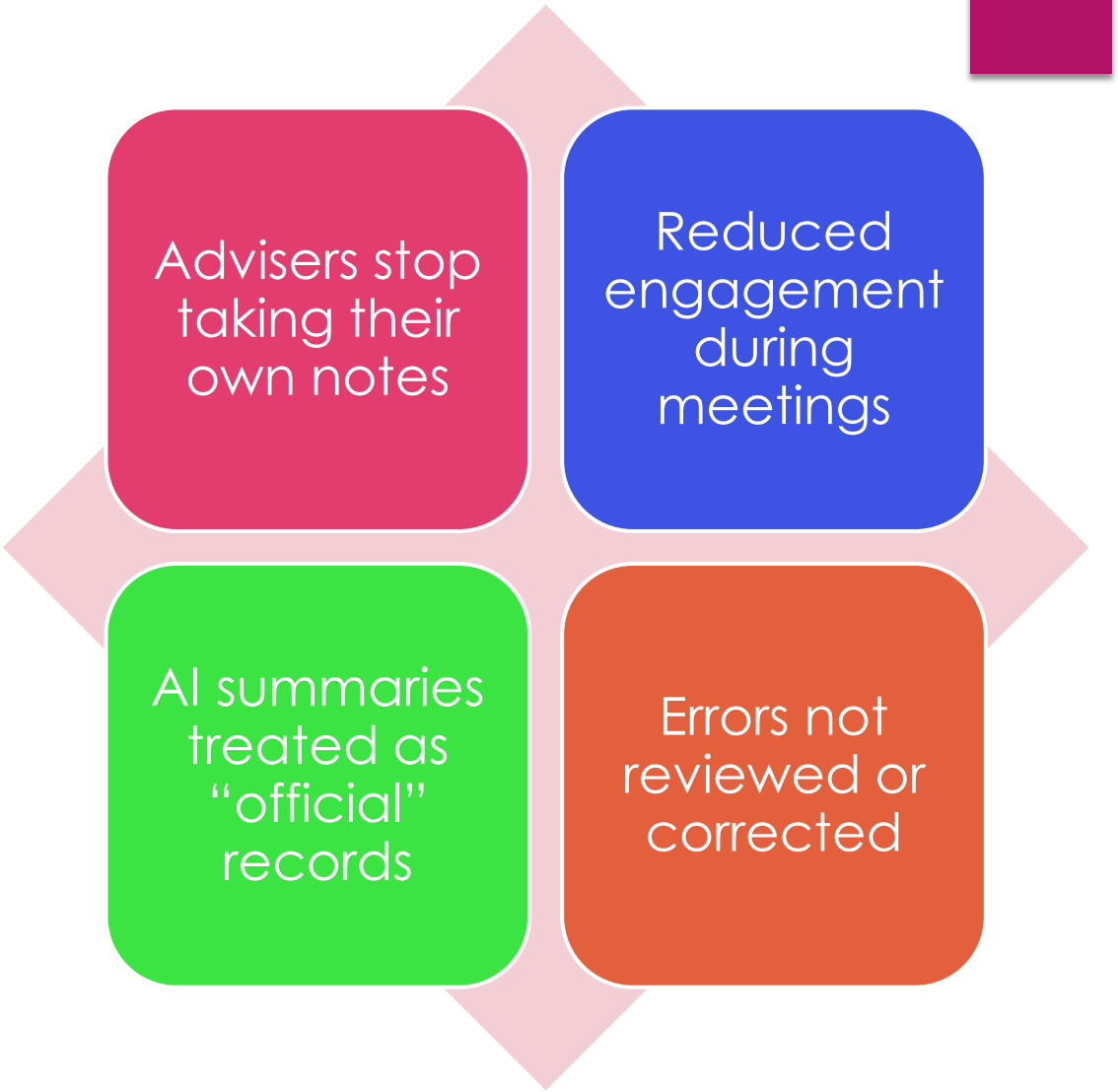
Accuracy Risk: AI Hallucinates

Common AI Limitations:

- Mis-attribution of speakers
- Loss of nuance or tone
- Missed qualifiers
- Incorrect summaries
- Hallucinated content

Risk:
Inaccurate AI records can create litigation and regulatory exposure

Behavioral Risks



Required Accuracy Guardrails

- Retain original audio where appropriate
- Adviser must review transcripts
- Adviser must review summaries
- Summary should be provided to client for review

Books & Records

SEC Rule 204-2 – AI-generated materials may constitute records, including:

Audio recordings	Transcripts	Summaries	Follow-up action items

Regulatory reality:
The adviser—not the AI tool—is responsible for record accuracy.

Privacy & Reg S-P Risks

- AI note-takers may capture:
  - Nonpublic personal information (NPPI)
  - Financial data
  - Sensitive personal details
- Risks include:
  - Third-party storage
  - Metadata retention
  - Expanded cyberattack surface

Vendor Due Diligence

Data access and scope

- What information the tool captures (audio, transcripts, metadata, summaries)
- Whether NPPI or sensitive information may be collected

Data use and model training

- Whether recordings or transcripts are used to train AI models
- Whether “de-identified” data is still retained or repurposed

Security controls

- Encryption in transit and at rest
- Access controls and user permissions
- Secure storage and disposal practices

Contractual protections

- Limits on data use and retention
- No ownership interest in adviser data
- Clear breach notification obligations

Incident Response Plan

- Unauthorized access to sensitive customer information triggers incident response program
- Service provider must notify adviser within 72 hours of breach
- Ensure clients notified of breach within 30 days

Confidentiality Risks

High-risk meetings for AI note-takers:

Regulatory investigations	Compliance investigations	HR complaints or performance reviews

Key Risk:
Recording sensitive topics could be subject to discovery in regulatory investigations/proceedings or litigation

Common Compliance Failures

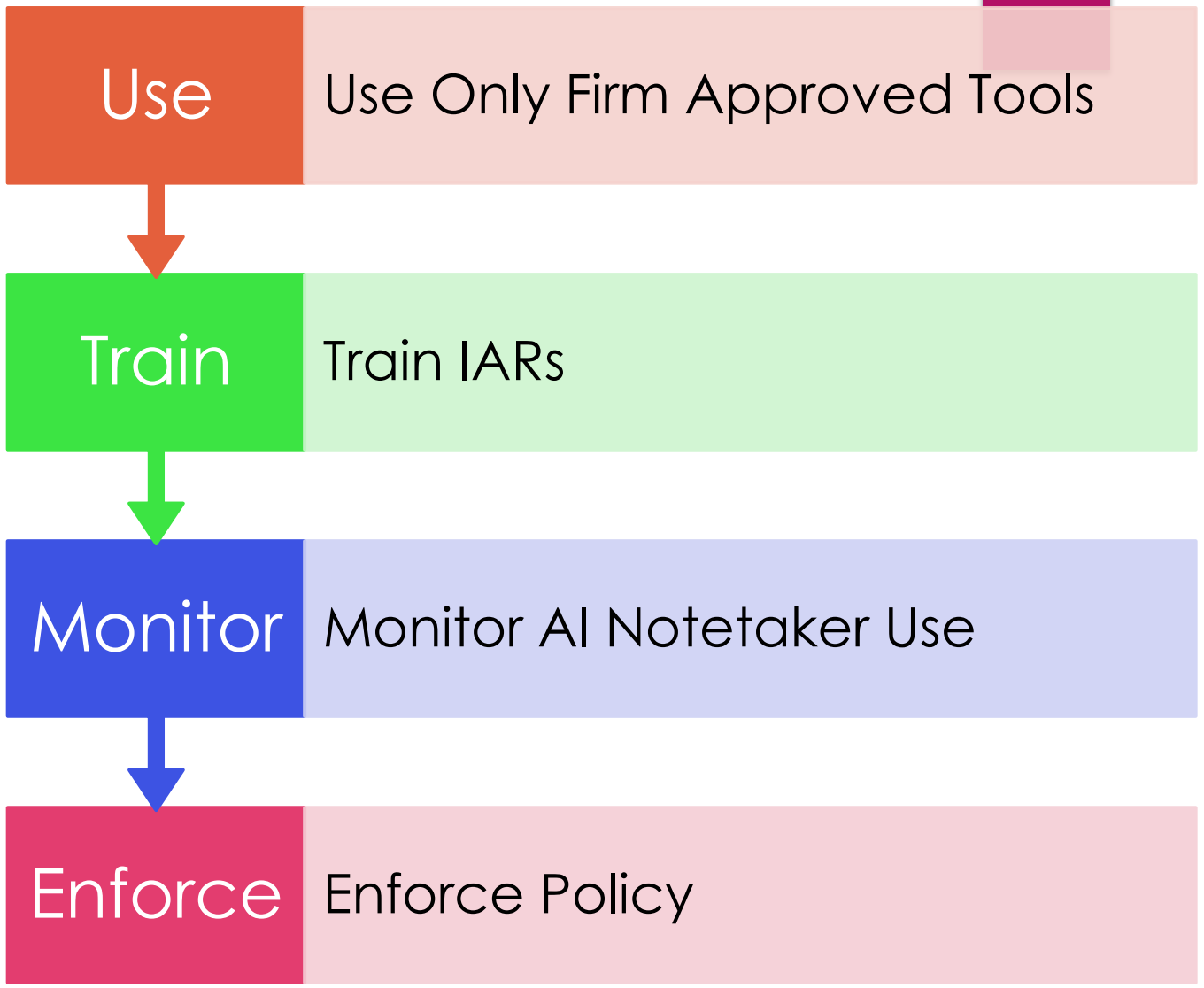
- No firm-wide AI policy
- Shadow AI adoption by IARs
- No consent protocol
- No vendor diligence
- No human review of AI outputs
- Disclosures that do not match reality

What an AI Note-Taker Policy Must Include

- **Scope & Purpose**
- **Consent & Disclosure** (federal and state law)
- **Accuracy & Human Review**
- **Confidentiality & Privilege**
- **Vendor Due Diligence**
- **Retention & Deletion**
- **Supervision** (detection of shadow AI use)



Supervision Responsibilities



Practical Guidance for IARs

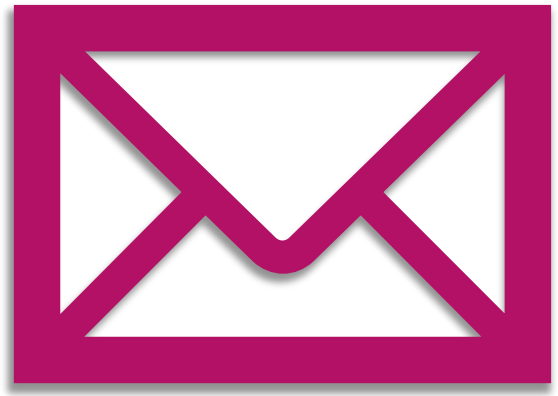
- Obtain compliance approval before use
- Obtain documented client consent
- Use only firm-approved tools
- Retain audio, transcript, and summary as required
- Participate in accuracy review
- Escalate issues promptly

Key Take Aways

- AI note-takers increase—not reduce—responsibility
- Consent is a legal and ethical requirement
- Accuracy remains the adviser's obligation
- Vendor risk has to be addressed through due diligence
- Must develop policy, train supervised persons and monitor for compliance

Questions

Please submit any question online or email with any questions about the content of this course.



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Thank You

