# FINRA highlights rise in tech-driven scams in annual report



The Financial Industry Regulatory Authority (FINRA) has issued its annual "Regulatory Oversight Report," highlighting a notable increase in scams facilitated by advancements in technology, particularly artificial intelligence (AI) and machine learning. The report, released on Tuesday, outlines the key priorities for FINRA in 2025 and sheds light on the evolving landscape of fraud within the financial market.

In recent months, FINRA has observed a concerning uptick in scams where victims unwittingly assist fraudsters in depleting their own accounts. This deceit often unfolds through misleading social media promotions directing individuals to fake investment clubs, which entice investors to commit funds to high-risk securities. A particularly alarming tactic involves the use of "deepfake" technology, where audio and visual impersonations of well-known financial figures are created to bolster the offenders' credibility.

Speaking to Exchange News Direct, Greg Ruppert, Executive Vice President and Head of Member Supervision at FINRA, stated, "This report is a valuable tool that we provide to member firms in support of our self-regulatory mission to protect investors and ensure market integrity." He noted that the findings reveal gaps in compliance and emerging risks, reaffirming the importance of transparency in regulatory operations.

The report details further fraudulent activities where scammers build a rapport with clients, gradually convincing them to transfer funds from their accounts under the guise of investment opportunities. Fraudulent entities also replicate legitimate websites belonging to broker-dealers and regulatory bodies, deceiving individuals who seek legitimate investment advice. In addition, the implications of AI manipulation are evident, as these bad actors increasingly utilise the technology to issue investment guidance that appears authentic.

Amidst the rise in fraudulent practices, the report indicates that legitimate financial firms are adopting a cautious approach toward AI technologies. Wealth managers are primarily exploring AI to enhance operational efficiencies, such as aggregating information and validating transaction reports, instead of relying on AI for making investment recommendations. Ruppert elaborated in a podcast related to the report, saying, "We're monitoring the evolution of generative AI and the industry... There’s definitely a benefit for using generative AI in your day-to-day roles, but we’re just also calling out a number of risks that you should be thinking about."

The regulatory body also expresses ongoing concern regarding third-party vendors that firms may depend on for various services. Cyberattacks targeting these subcontractors have been frequently reported, leading FINRA to emphasise the importance of assessing these third parties’ cybersecurity measures. The Securities and Exchange Commission (SEC) proposed regulations in 2022 aimed at enforcing fiduciary responsibilities among wealth managers towards the clients’ best interests, although these proposals have encountered legislative delays. Ruppert mentioned that "we're looking at an increase in the number of cyber attacks... at third-party providers," highlighting the cascading effects these incidents can have on member firms.

FINRA's report also covered the topic of anti-money laundering (AML), noting past deficiencies in firms' systems to verify customer identities. Bill St. Louis, head of enforcement at FINRA, remarked on the significance of effective systems in preventing money laundering, stating that inadequate calibration and lack of thorough testing contributed to recent enforcement failures.

Additionally, the report addresses the increasing sales of registered index linked annuities (RILAs), which have surged past variable annuities in popularity. St. Louis cautioned that broker-dealers must adhere to the SEC's Regulation Best Interest when making recommendations regarding these products to ensure their clients' financial interests are prioritised.

The comprehensive report encompasses a range of topics, including regulatory compliance, cybersecurity risks, and practices surrounding trading, designed to aid member firms in reinforcing their internal protocols and fulfilling compliance obligations. As part of their proactive measures, FINRA plans to offer insights and further resources throughout the year, culminating in coverage at the 2025 FINRA Annual Conference scheduled for May 13-15 in Washington, D.C.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.finra.org/media-center/newsreleases/2025/finra-publishes-2025-regulatory-oversight-report> - This URL supports the claim that FINRA has issued its annual Regulatory Oversight Report, highlighting key priorities for 2025, including advancements in technology and fraud.
* <https://www.finra.org/rules-guidance/guidance/reports/2025-finra-annual-regulatory-oversight-report> - This URL provides additional details about the 2025 FINRA Annual Regulatory Oversight Report, including its structure and content.
* <https://www.finra.org/media-center/finra-unscripted/unpacking-the-2025-regulatory-oversight-report> - This URL supports the discussion around the report's insights and takeaways, featuring FINRA's regulatory leaders.
* <https://www.sec.gov/rules/proposed/2022/34-95169.pdf> - This URL could provide information on SEC proposals related to fiduciary responsibilities, although it is not directly mentioned in the search results.
* <https://www.sec.gov/investor/alerts/best-interest.pdf> - This URL provides information on the SEC's Regulation Best Interest, which is relevant to the report's discussion on RILAs.
* <https://www.finra.org/rules-guidance/rulebooks/finra-rules/3110> - This URL supports the discussion on FINRA rules concerning supervision, such as the Remote Inspections Pilot Program.
* <https://www.sec.gov/rules/final/2020/34-88390.pdf> - This URL could provide background on SEC regulations related to financial services, although it is not directly mentioned in the search results.
* <https://www.finra.org/rules-guidance/guidance/notices/2020/20-31> - This URL supports the discussion on FINRA's supervisory responsibilities, although it is not directly related to the 2025 report.
* <https://www.sec.gov/investor/alerts/aml.pdf> - This URL could provide information on anti-money laundering practices, although it is not directly mentioned in the search results.
* <https://www.finra.org/industry/2025-finra-annual-conference> - This URL supports the mention of the 2025 FINRA Annual Conference, where topics from the report will be discussed.