



Navigating the AI Regulatory Matrix

Connecting Compliance to Competitive Reality

SPEAKER

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CONNECTING RISKS THAT MATTER



Billions spent, but where's the return?



What's holding firms back?



Risk & Compliance

- **New layers of risk:** GenAI amplifies concerns around privacy, security, bias, hallucinations etc.
- **Regulatory drag:** 30-50% of "innovation" time with gen AI is spent on compliance
 - McKinsey



The Business Case

- **Hard to slot into workflows:** Firms struggle to identify where AI genuinely adds value
- **Integration takes time:** Embedding AI into existing processes and proving ROI can take years

Bloomberg

"Klarna Stops Hiring a Year Ago to Replace Workers with AI"

Forbes

"Klarna Reverses On AI, Says Customers Like Talking To People"





The exponential pace of AI development



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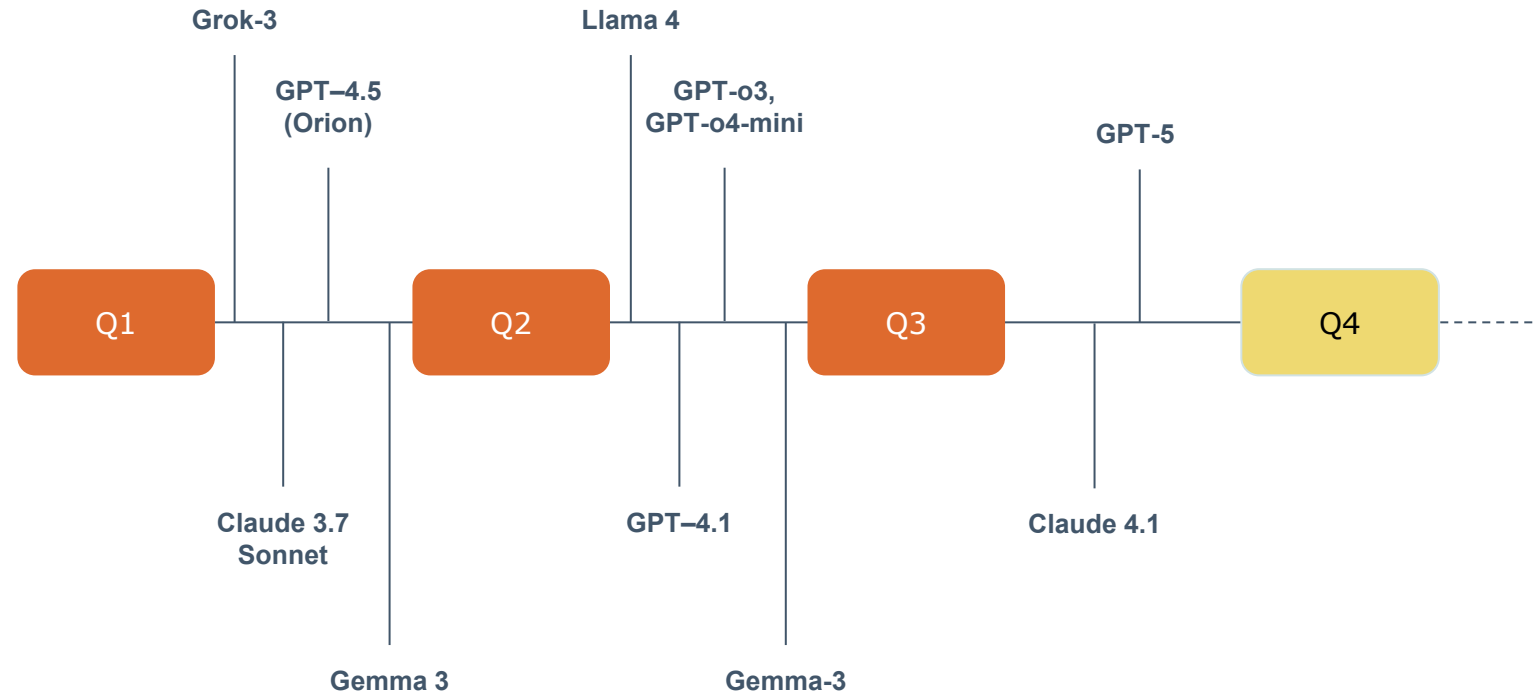
“The pace of progress in [Generative] AI is incredibly fast... a pace close to exponential.”

— Elon Musk wrote in a comment on Edge.org

“It’ll be 10 times bigger than the Industrial Revolution – and maybe 10 times faster.”

— Demis Hassabis (DeepMind)

”





AI failures already make headlines

US lawyer sanctioned after being caught using ChatGPT for court brief

Richard Bednar apologized after Utah appeals court discovered false citations, including one nonexistent case



Air Canada found liable for chatbot's bad advice on plane tickets

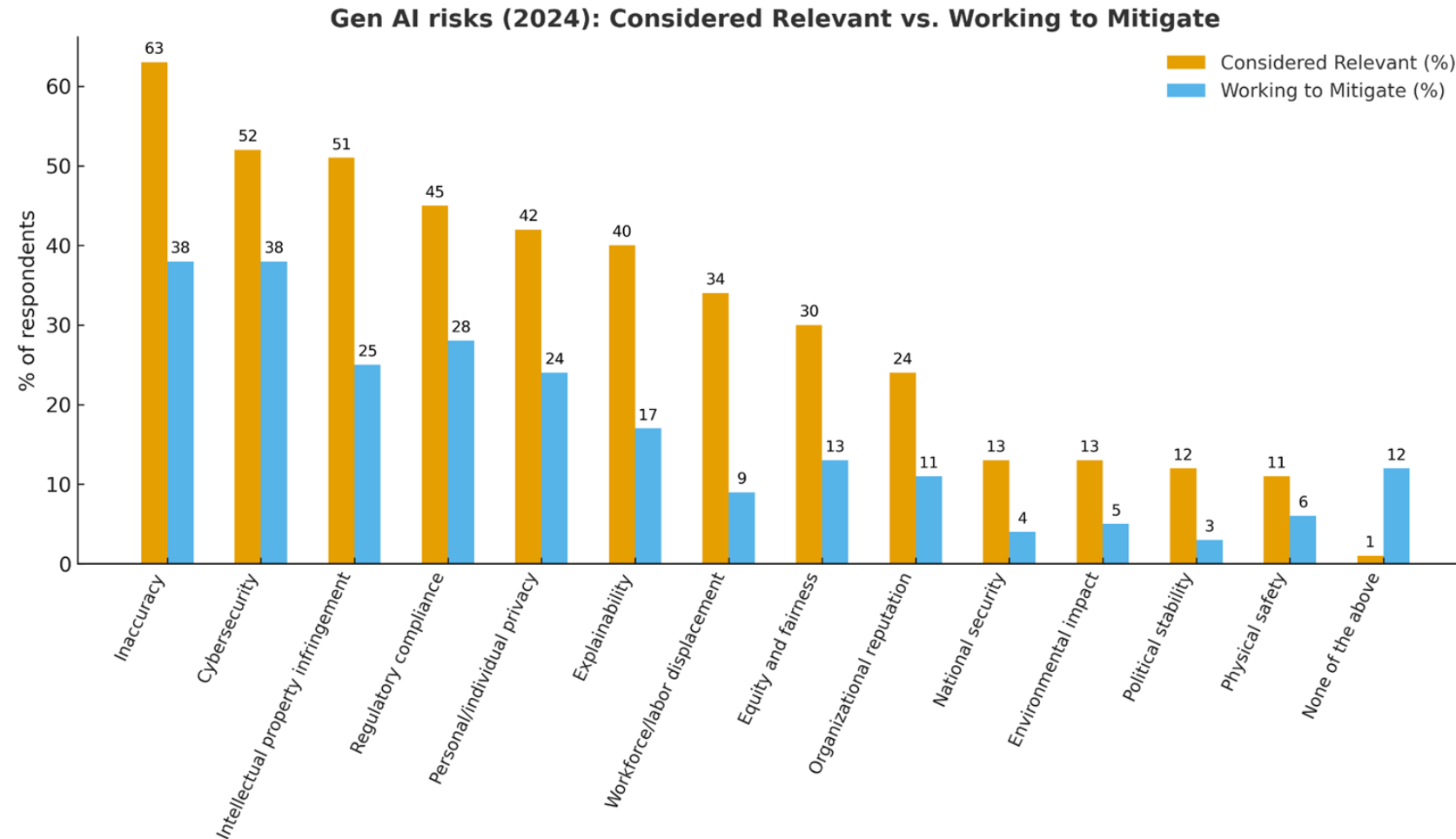
Airline's claim that online helper was responsible for its own actions was 'remarkable': small claims court

AI bot capable of insider trading and lying, say researchers





We're not managing risk as well as we could



- Chart created from [McKinsey Data](#)

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How would you describe your firm's approach to AI risk management?



Most are here



Unaware

Legalistic

Reactive

Proactive

Pervasive

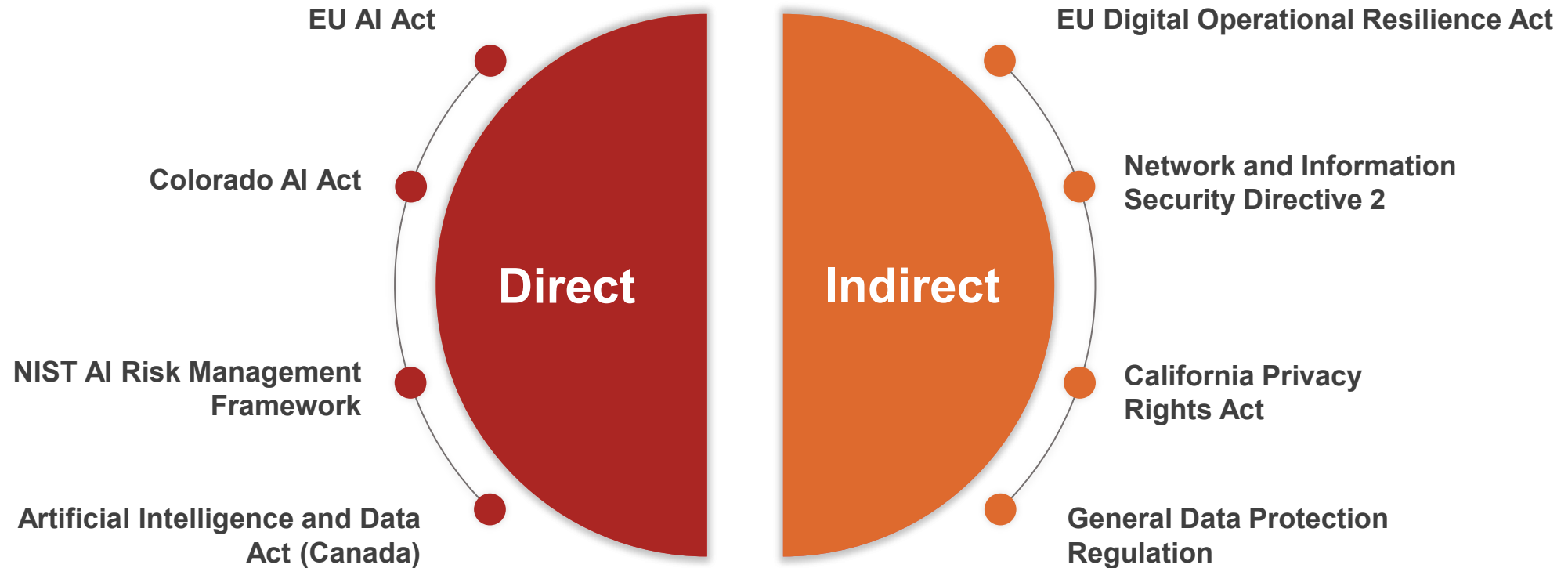


The state of AI regulation

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Applicable rules and frameworks

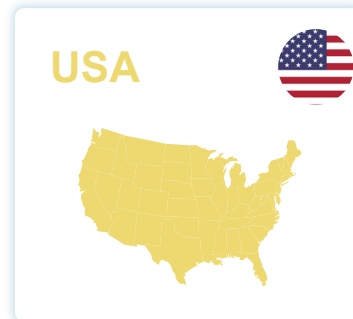




The state of AI regulation globally

	No. of rules
In effect	86
Passed	34
Proposed	130
Policy / Strategy	88
Total	338

- General AI laws
- Generative AI-specific rules
- Sectoral regulations
- **Policy frameworks** (inc. non-binding guidelines)



- No single Federal Law
- Biden (2023): Executive Order stressing responsible AI development, regulatory oversight, and international cooperation.
- Trump (2025): Executive Order prioritizing innovation and global competitiveness





The EU AI Act

Definition

“

“any machine-based system that operates autonomously to generate outputs such as predictions, recommendations, or decisions affecting physical or virtual environments.”

Scope

- **Providers:** Entities that develop or place AI systems on the EU market.
- **Deployers:** Organizations or individuals using AI systems in the EU.
- **Importers:** Entities bringing AI systems from outside the EU for sale or use within the EU.
- **Distributors:** Entities that supply or make AI systems available in the EU market without modifying them.





Understanding model risk tiering

	Examples	Requirements
Unacceptable risk	<ul style="list-style-type: none">• Social scoring by government• Biometric categorisation	Banned outright – cannot be placed on the market or used
High risk	<ul style="list-style-type: none">• Credit scoring• Recruitment algorithms• Medical diagnostics• Critical infrastructure AI	<ul style="list-style-type: none">• Risk management system• Data and data governance• Technical documentation and record-keeping• Transparency to deployers• Human oversight• Accuracy, robustness and cybersecurity
Limited risk	<ul style="list-style-type: none">• Chatbots• Customer service assistants• Content summarization	Transparency obligations – users must know they are interacting with AI
Low risk	<ul style="list-style-type: none">• Spam filters• Video game AI• Non-sensitive recommendation	No additional requirements – voluntary codes of conduct encouraged





Are you a **provider** or a **deployer**?



Are you white labeling an AI system?

Provider



Are you integrating AI into another product?

Provider



Are you making substantial modifications?

Provider



Are you modifying the system's application?

Provider

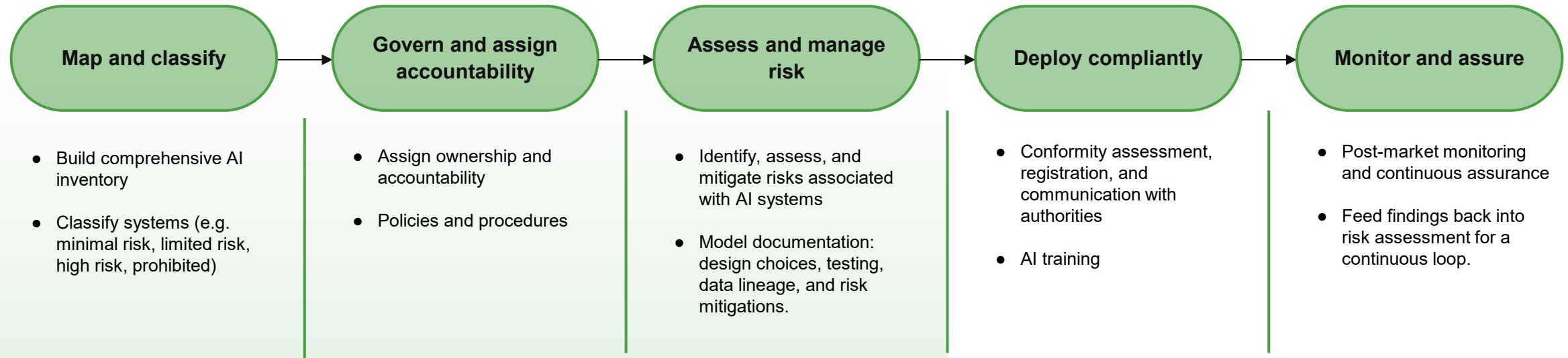


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Preparing for compliance

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Proactive steps to identify and address AI risk



START NOW



Map your AI landscape: One connected inventory → multiple compliance outcomes



● Build visibility

- Catalogue all AI models (own + third-party / provider + deployer)
- Define use cases and workflow placement
- Classify by risk tier: unacceptable / high / limited / low

● Integrate with existing maps

- Link into digital resilience, cyber/privacy, and third-party risk maps
- Capture cross-workflow linkages

● Different regulations, different data points

- Digital resilience → ICT dependencies, operational continuity
- Third-party / outsourcing → supplier dependencies, SLAs
- AI-specific → model type, use case, risk tier

Top Tip – Be specific in mapping use cases

Don't stop at "we use GenAI for customer service." Specify exactly where it sits in the workflow (e.g. summarizing credit decisions). Vague descriptions risk misclassification and surprise obligations.



Establish AI governance structure



- **Define how your organization will, and will not, use AI**
 - Internal policies <> external regs set the foundation for proper use.
- **Set clear accountabilities**
 - Cross-functional governance and independent validation outside the development team.
- **Give AI the air-time it deserves**
 - Board oversight windows are brief; ensure AI is given focused attention on the agenda.
- **Establish escalation protocols**
 - Use established channels (whistleblower programs) to surface AI risks quickly, from biased outputs to system downtime.

Top Tip – Broaden the stakeholder map for Generative AI

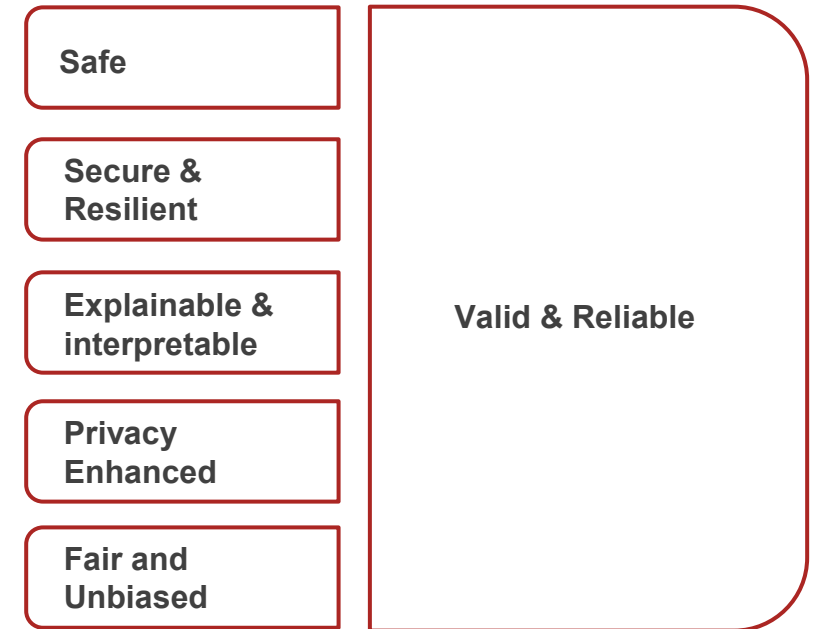
For Generative AI, Incorporate a wider range of stakeholders across business functions, including legal, compliance, IT, and others, to address the broad implications, usage and risks.





Measure and manage risk

- **Build on existing risk frameworks**
 - The fundamentals of a risk assessment don't change just because the technology does
- **Broaden the scope of risks**
 - Expand assessment beyond technical risks to include ethical, societal, and operational.
- **AI-specific controls**
 - Validation/testing (accuracy, robustness, red-teaming).
 - Human oversight checkpoints.
 - Data governance safeguards.
 - Escalation & incident response.



Top Tip – Data governance for Generative AI

Generative AI will surface whatever data you feed it — good or bad. Assess risks such as PII exposure, outdated files, and poor metadata.





Some considerations for generative AI

● Model validation

- Sometimes you'll have a ground truth, sometimes you won't.
- Run generation tests with and without references

● Prompts are a new entry point

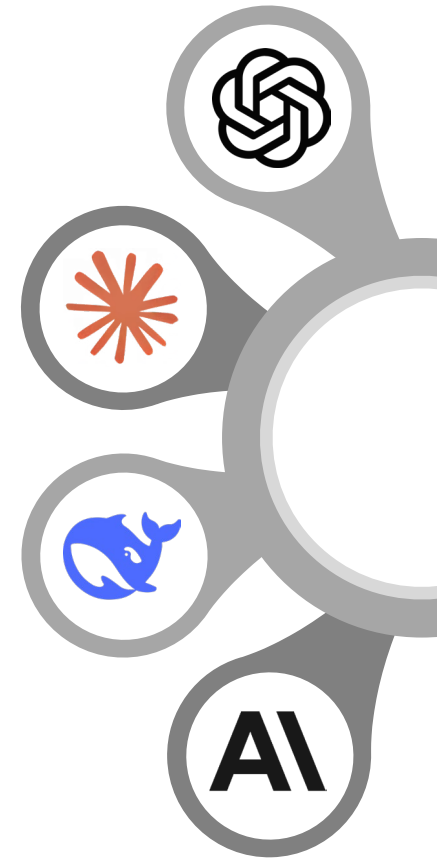
- Generative AI systems face unique threats such as prompt injection, context leakage, jailbreaks, and data exfiltration that traditional defenses miss.

● Governed data produces better, more accurate insights

- In practice, explainability depends on auditable pipelines enriched with metadata and provenance. Without them, firms cannot credibly claim their AI systems are fully transparent.

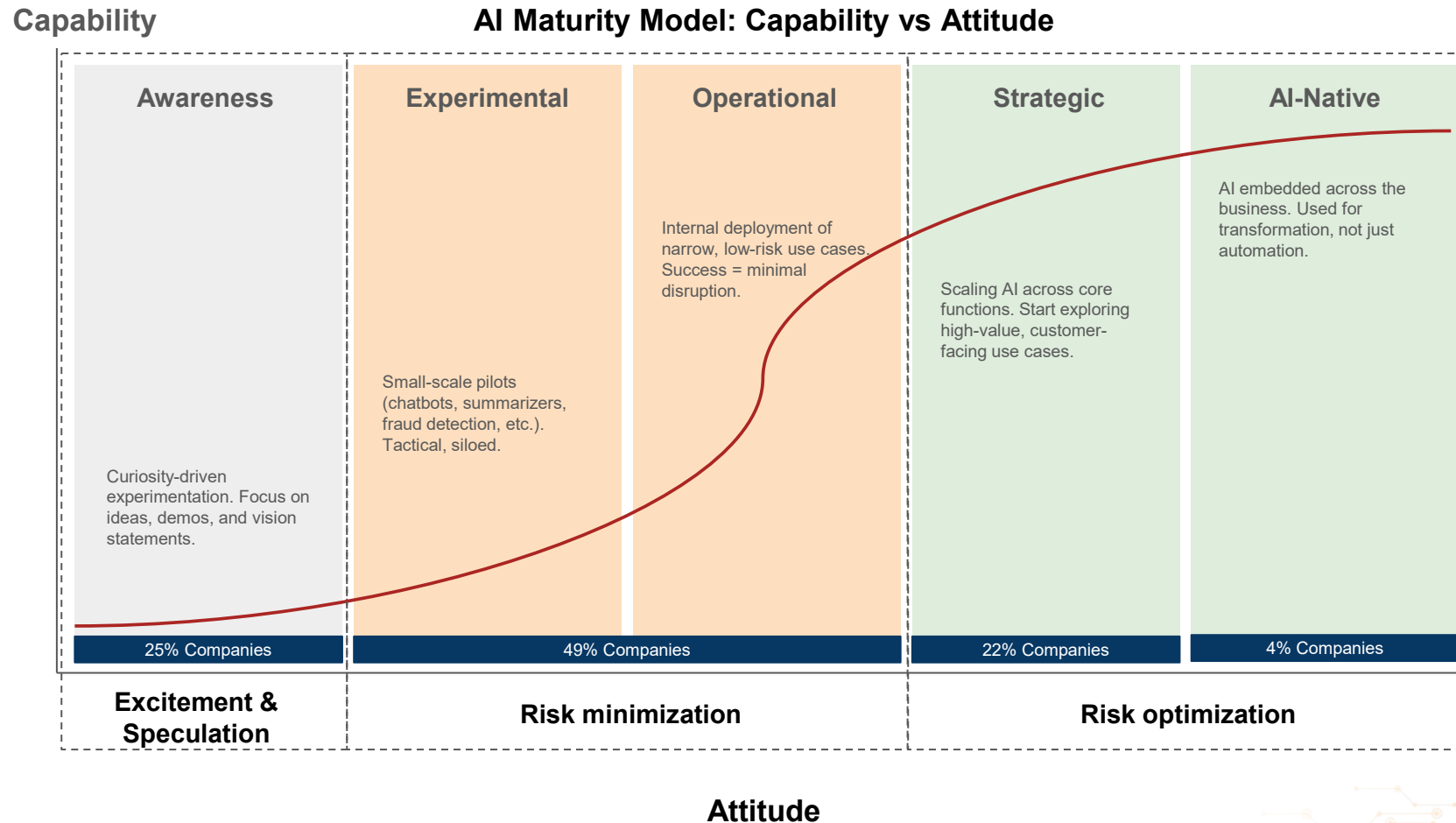
Top Tip – Establish a list of “Golden Prompts”

Create a standard set of prompts to test model performance. Balance **core scenarios** (routine, expected tasks) with **edge cases** (challenging, adversarial prompts) to uncover weaknesses, bias, and inconsistencies.





Compliance as an enabler



- Created in collaboration with [ValidMind](#)





Key takeaways

01

Put AI in the right places, with the right risk management, you'll reap the rewards

02

Build a living register of all AI systems, applications, and use cases across the organization.

03

Establish a cross-functional governance council (risk, compliance, IT, business, legal)

04

Treat AI risk assessment as an extension of your current risk frameworks not a standalone exercise.



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Questions?

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THE MATRIX

Thank You!

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