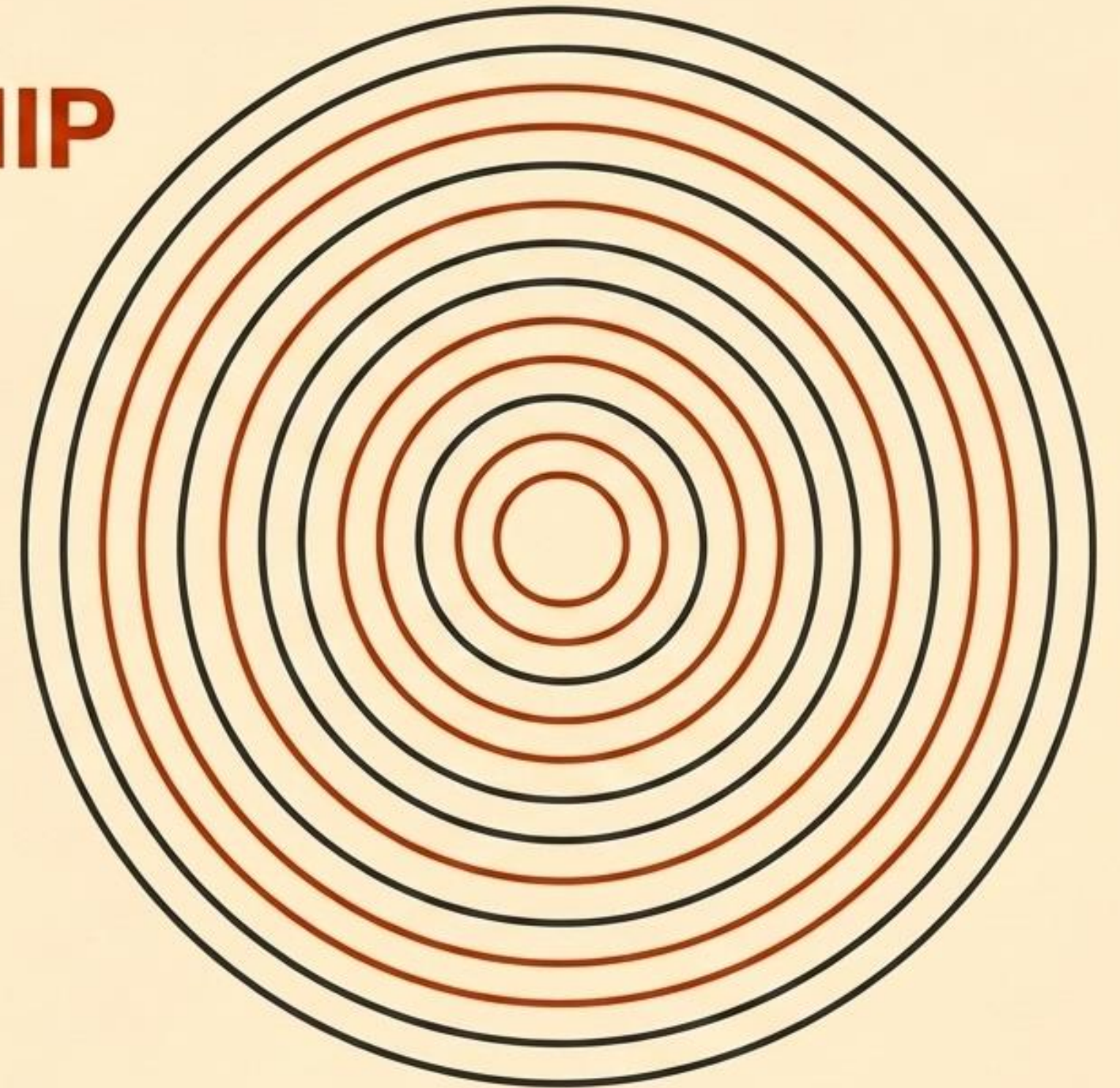
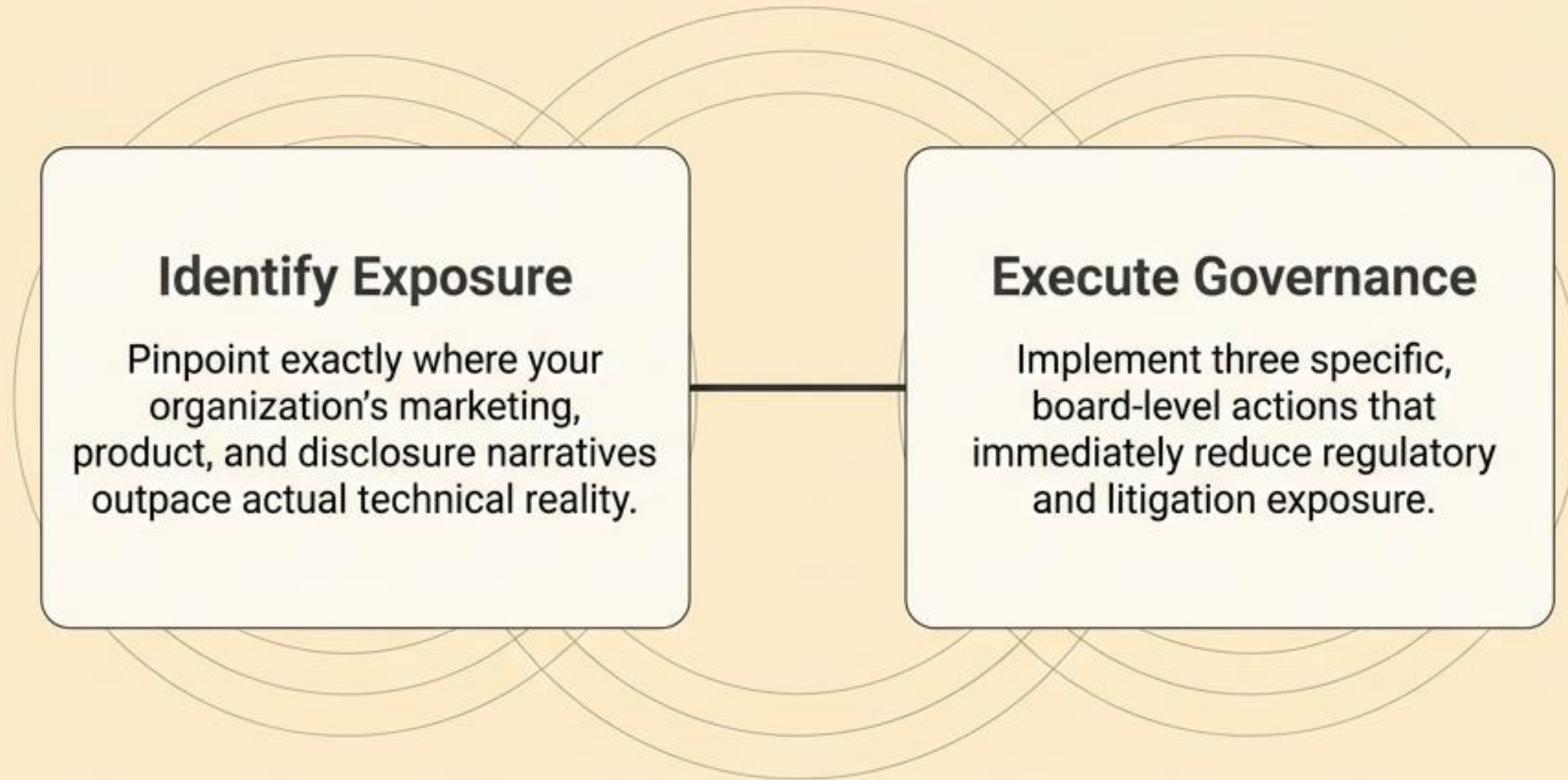


EXECUTIVE LEADERSHIP IN PRACTICE - AI WASHING AND DISCLOSURE RISK

The regulatory and litigation cost of overstated AI claims is rising fast.



The Executive Mandate



Speaker Notes
Our promise for the next twenty minutes is highly practical. By the end of this briefing, you will understand exactly where our organization is most exposed to AI washing risk. More importantly, you will walk away with three concrete governance actions that we can authorize today to close that exposure gap before regulators or short-sellers do it for us.

AI Claims Now Carry the Same Liability as Financial Statements

Regulatory Aggression

The SEC has launched aggressive enforcement against multiple firms, recently charging the first public company for misleading AI claims.

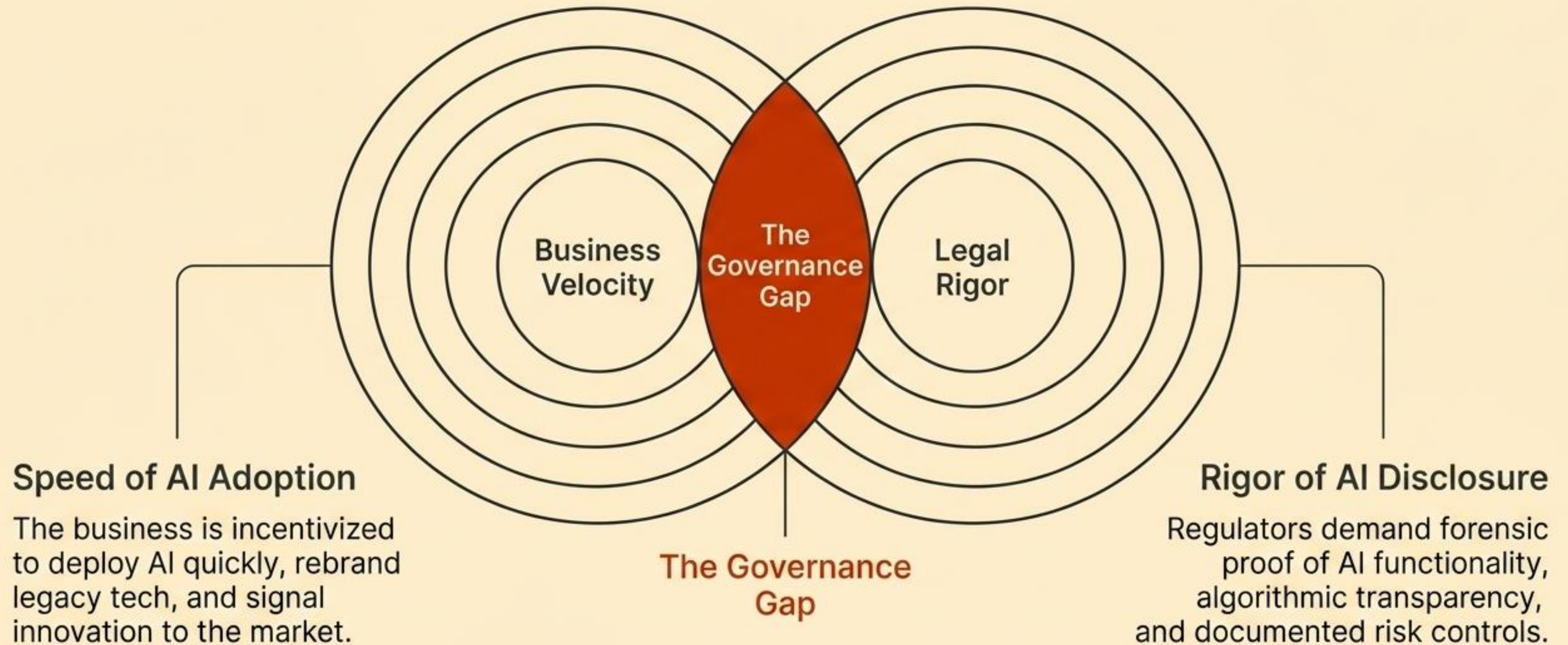
Litigation Spike

AI-related securities class actions doubled between 2023 and 2024, with 53 major cases filed in the past five years (Cornerstone Research).

Statutory Deadlines

The EU AI Act's high-risk obligations become strictly enforceable by August 2026, creating immediate cross-border compliance mandates.

The Disconnect: What Boards See vs. What Is At Stake



AI Washing is the New Greenwashing

The ESG Era (Greenwashing) 2010s

The Hype: Sustainable, Net-Zero, Eco-friendly

The Reality: Boilerplate claims lacking standard metrics

The Result: Massive SEC fines, reputational damage, consumer class actions

The AI Era (AI Washing) 2020s

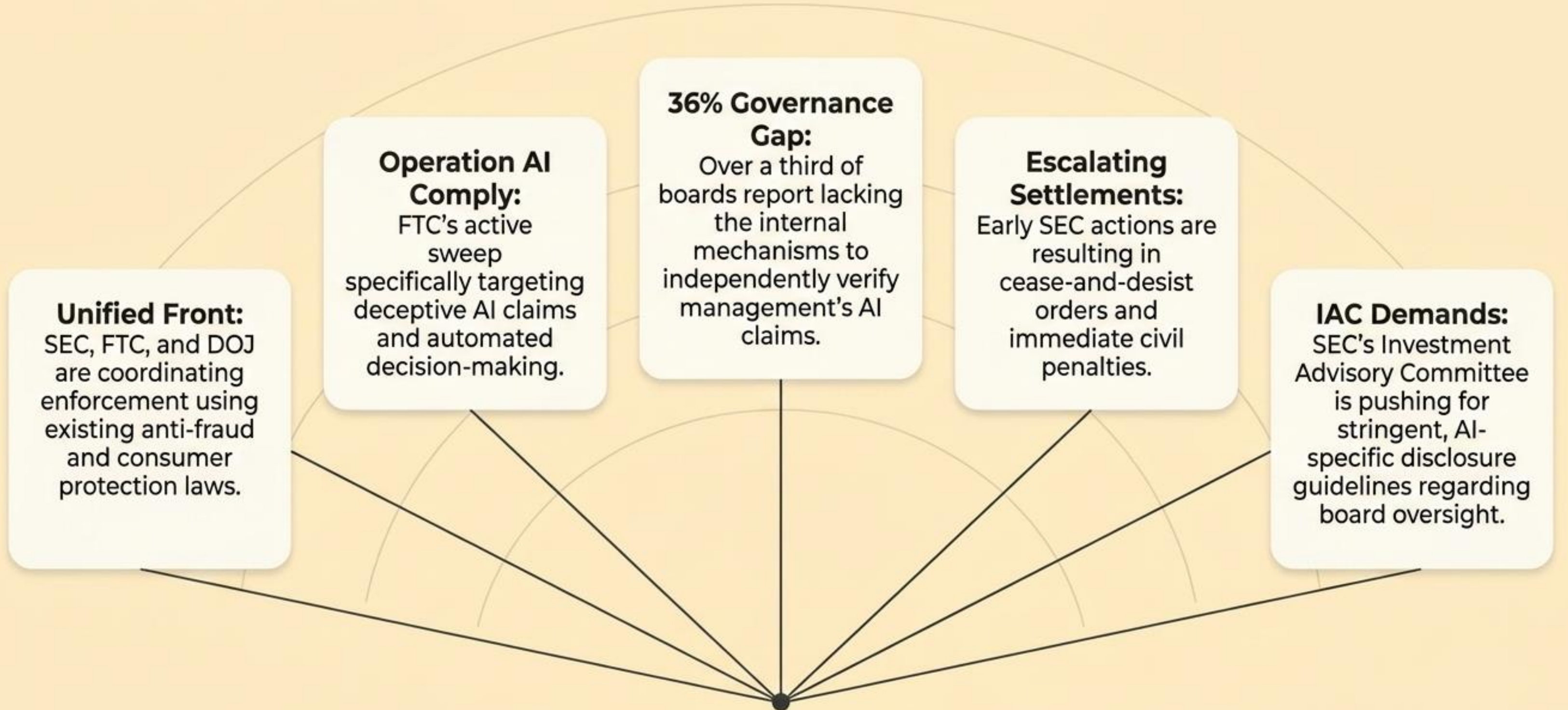
The Hype: AI-Powered, Proprietary Algorithms, Automated

The Reality: Off-the-shelf wrappers, human-in-the-loop dependencies

The Result: Faster regulatory crackdowns, targeted DOJ/FTC task forces

**Same pattern.
Faster cycle.**

The Regulatory Reality in Five Datapoints



The Precedents Are Already Set

SEC Enforcement

Delphia & Global Predictions:

Investment advisors fined for false claims about AI usage in their investment processes.

Presto Automation:

First public company charged. Falsely marketed an AI drive-thru that secretly relied on heavy human intervention.

DOJ / SEC Parallel Action

Nate Inc.: CEO criminally charged for fraudulently raising \$42M on fabricated claims that a shopping app was 90% automated by AI, when it actually relied on manual workers.

FTC Enforcement

Operation AI Comply: Broad crackdown on deceptive AI marketing, holding executives individually accountable for unsubstantiated tech claims.

What This Means for the Enterprise

Strengthen Disclosure Controls

Existing Sarbanes-Oxley controls must be updated to treat AI capabilities as material financial disclosures.

Marketing, PR, and SEC filings must align with technical reality.

Close the Governance Gap

The Board can no longer rely solely on optimistic management reports. Independent technical validation and cross-functional risk committees are now required.

Prepare for Cross-Border Traps

With the EU AI Act taking effect, US-centric companies will face strict mapping and risk-tiering obligations if their AI touches European citizens or markets.

The Playbook: Three Required Moves

Phase 1: 90-Day AI Claims Audit

Action: Catalog and independently verify every public-facing AI claim across marketing, SEC filings, and product collateral against technical reality.

Owner: General Counsel & CTO

Phase 2: Formalize Board-Level Governance

Action: Embed AI oversight into the Audit or Risk Committee charter. Require signed technical substantiation for new AI products.

Owner: Board of Directors

Phase 3: EU AI Act Mapping

Action: Inventory all internal and external AI systems to determine high-risk classifications under looming 2026 global standards.

Owner: Chief Compliance Officer

The Board's Diagnostic: Interrogating Management

1

Verification: Can we forensically prove every AI capability we claim in our investor materials and marketing?

2

Ownership: Who holds the ultimate sign-off authority verifying that an AI product functions as publicly described?

3

Inventory: Do we have a comprehensive, centralized registry of every AI model operating within our enterprise?

4

Exposure: Are our products secretly reliant on human-in-the-loop intervention while being marketed as automated?

5

Preparation: How are we adapting our systems today to meet the EU AI Act transparency mandates of 2026?

Executive Summary & Next Move

The Next Move

Commission the 90-Day **AI Claims Audit**. Require Legal and Technology leadership to catalog and substantiate all public AI claims by next quarter.

What This Briefing Clarified

AI washing is no longer a theoretical reputational issue; it is an active trigger for SEC enforcement, DOJ prosecution, and shareholder class actions.

What Leadership Can Decide

Whether to proactively validate AI capabilities internally, or wait for regulators and short-sellers to stress-test our disclosures publicly.

CONTACT

Let's continue the conversation.



Andres J. Castañeda
GLOBAL RISK MANAGEMENT EXECUTIVE

Available for **advisory engagements, board conversations, and speaking opportunities** on modern financial crime strategy, AML transformation, and risk leadership.

EMAIL ajc@andresjcastaneda.com

PHONE **+1 954.817.0663**

WEB andresjcastaneda.com

LINKEDIN [/in/andrescastaneda](https://www.linkedin.com/in/andrescastaneda)

BASED IN **Miami, Florida — available globally**

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