The Impact of Future AI Regulation

Discover the impact of future AI Regulation from our panel session with leaders from Adobe, RingCentral, and US Bank.

Grace Chu

Former Senior Product Counsel for AI/ML @ Adobe

Responsible AI Development: Working Hand-in-Hand with Legal

Sushant Hiray

Sr. Director of Machine Learning @ RingCentral

How to Future-Proof Your AI Initiatives & Implement Governance

Yu Pan

Chief Model Risk Officer @ US Bank

Documenting Model Development in the Banking Industry

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Speakers

Grace Chu

Former Senior Product Counsel for AI/ML @ Adobe

Grace Chu was most recently the inaugural AI/ML and lead data use attorney for Adobe's Digital Experience business, with $4.42 billion in revenue in fiscal 2022. She has advised clients from Fortune 100 companies to local startups in open source, copyright, licensing, and M&A.

Sushant Hiray

Sr. Director of Machine Learning @ RingCentral

Previously, Sushant was the co-founder and CTO at DeepAffects, a pioneering speech AI startup acquired by RingCentral. With a strong academic research background, Sushant has authored numerous patents and research papers that underscore his expertise in the field.

Yu Pan

Chief Model Risk Officer @ US Bank

As the Head of model risk management, Yu is responsible for developing and leading the enterprise model risk functions, identifying and managing model risk, and overseeing the assessment/validation of all the models/tools used across the bank.

Grace Chu

Responsible AI Development: Working Hand-in-Hand with Legal

> **How serious is this wave of regulation, and what is coming?**

A seismic wave of AI regulation is underway across jurisdictions worldwide. According to legal expert Grace, extensive rules with serious implications are already here and expanding quickly. Fines, bans, and business limitations await companies that don't adequately prepare!

> *"As one key example, the EU will forbid certain types of AI that they consider unacceptable risks. While the EU AI Act is not yet final, the current amendment proposes fines of up to €40 million or 7% of your gross annual turnover for the preceding financial year."*
>
> *"A fine is very serious, but even more serious is not to be able to do business."*
>
> — Grace Chu, Former Senior Product Counsel for AI/ML @ Adobe

Responsible AI Development: Working Hand-in-Hand with Legal

> **Will new regulations apply only to advanced models like generative AI or basic models?**

Understanding these rules apply far beyond just advanced AI systems is important. Regulated industries such as banking and healthcare will receive heavy scrutiny. Independent of industry, employment stands out as an area in which many jurisdictions will regulate AI.

> *"Don't think necessarily about the complexity of the model or that any one jurisdiction is going to be indicative of regulation across the globe."*
>
> — Grace Chu, Former Senior Product Counsel for AI/ML @ Adobe

Grace Chu
Former Senior Product Counsel –
AI/ML @ Adobe
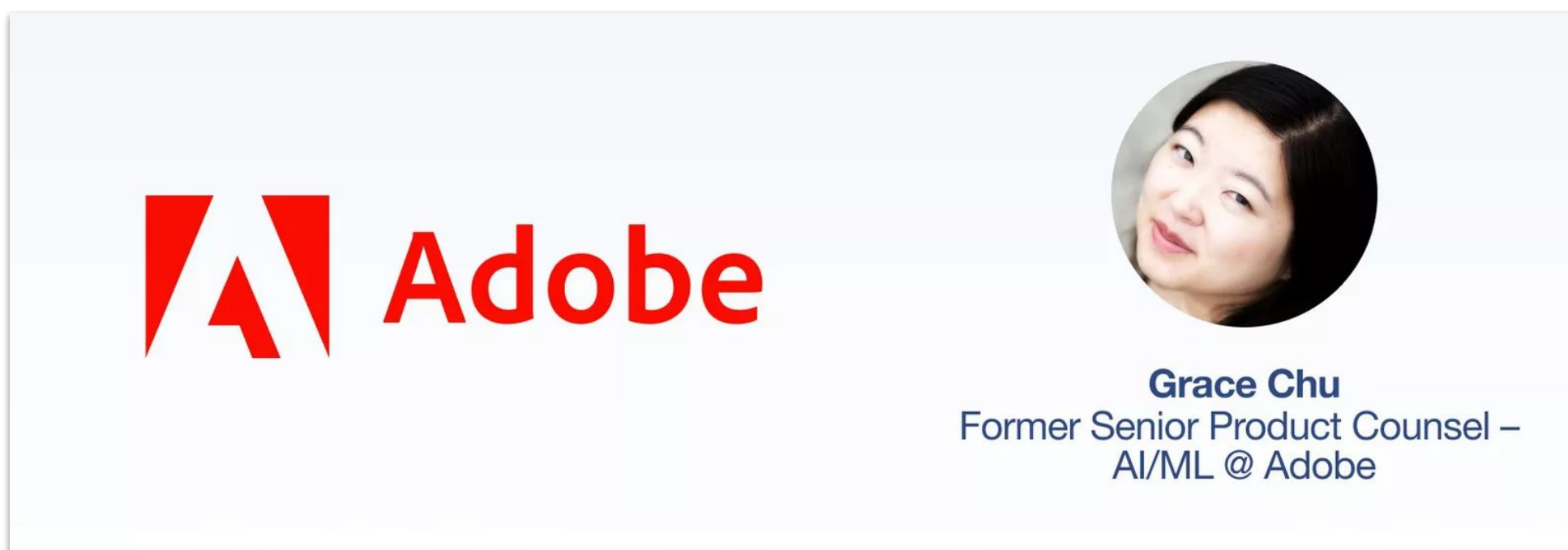
> **What daily advice do you have for model developers who need to discuss their work with legal teams?**

As legislation increases, compliance teams must increase services accordingly. Organizations need more AI expertise in legal, risk management, and compliance. Last-minute regulatory reviews lead to pain on both sides, often resulting in avoidable delays and elevated risk to the organization.

> *"Because there is so much legislation that is going to be passed and revised, guidance is going to keep evolving. Developers and compliance are going to have to work hand-in-hand, or their organizations will face the risk of penalties for non-compliance."*
>
> — Grace Chu, Former Senior Product Counsel for AI/ML @ Adobe

Responsible AI Development: Working Hand-in-Hand with Legal

> **What is your main advice to leaders who lead modeling teams?**

Grace emphasized the importance of early and ongoing communication with legal and compliance teams when working on AI models.

> *"Raise what you need to accomplish early on and keep communicating. If there are changes, such as changes in the function of your model, vendors that are starting to use AI or new vendors, or you're changing the datasets you want to use, the countries you're releasing in, or the release timeline, especially if you want to release early.*
>
> *These are all important things you want to let legal know. If you're not sure whether something matters for compliance, it's far better to raise it early and get confirmation."*
>
> — Grace Chu, Former Senior Product Counsel for AI/ML @ Adobe

Grace's Best Practices when Working with Legal on AI Models

Grace's tips are:

- Share plans early when working on AI models and keep legal teams continuously updated with changes, including to model function, vendors, datasets, countries, and timelines.- Don't let these be surprises or grow into roadblocks!

- Collaborate early to create feasible plans that work for both model developers and legal/compliance, with an acceptable compliance burden and risk profile.

- Don't leave compliance as an afterthought or believe legal has the ability to create compliance without collaboration from developers, including in product design and documentation.

Sushant Hiray

How to Future-Proof Your AI Projects and Implement Governance

> **How do you feel about the upcoming AI regulation?**

Sushant Hiray begins by acknowledging the necessity of AI regulation as these systems become more prevalent:

> "*Regulation is definitely needed. As we talk with data about people, data is being shared along. So we had a lot of data-related regulations; the next step is model relations.*
>
> *You have so many models in production already which are not regulated. So that's the next thing.*" — Sushant Hiray, Sr. Director of Machine Learning @ RingCentral

How to Future-Proof Your AI Projects and Implement Governance

> **What internal discussions are happening now about complying with new regulations?**

Sushant shared how he instilled a compliance mindset at RingCentral to prepare for compliance with new regulations. He helped establish an AI governance council, bringing together engineering, product, and legal leaders early to navigate evolving regulations.

> *"To ensure responsible AI practices, we have established an AI governance council. This council serves as a recurring platform for meetings, attended by myself, engineering leaders, product leaders, and notably, legal leaders within our organization"*
>
> — Sushant Hiray, Sr. Director of Machine Learning @ RingCentral

Sushant Hiray
Senior Director of Machine Learning @ RingCentral
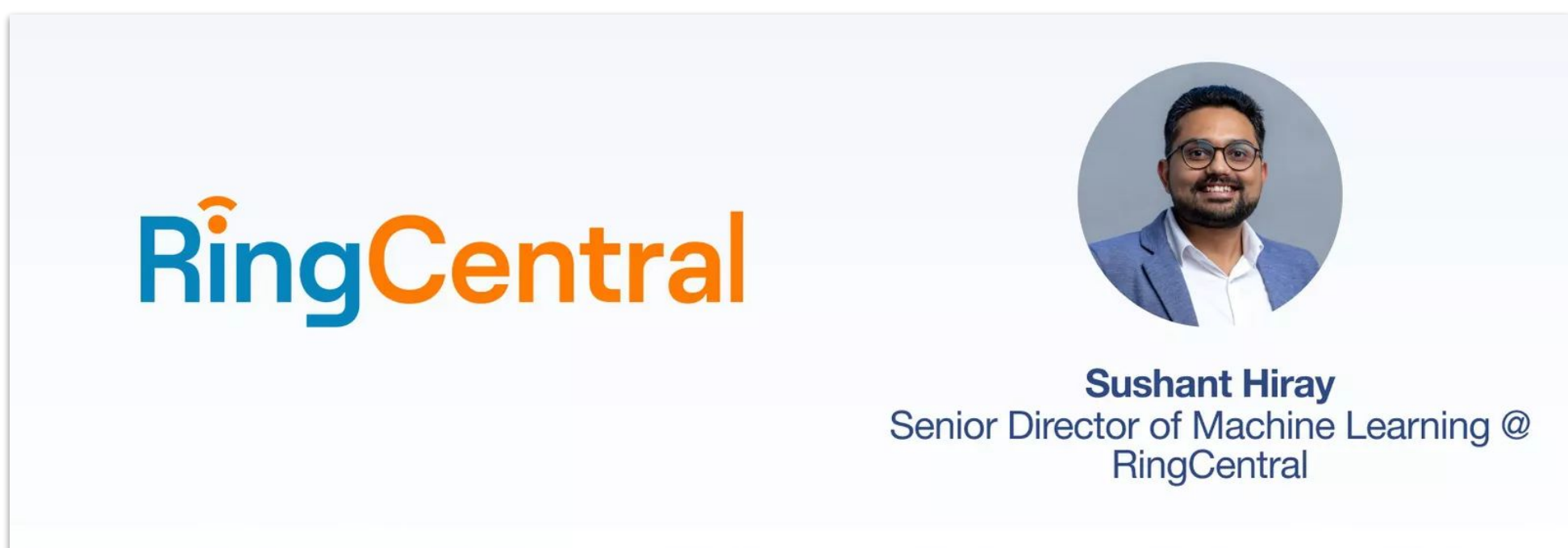
> **How is RingCentral approaching model documentation? Do you plan to improve this in the future?**

Sushant suggests concentrating initial compliance efforts around data for organizations new to AI regulation. Robust data sourcing, consent, and management policies create critical foundations for broader compliance.

> *"I have taken the initial stride of documenting our data, including its lineage. Moving forward, the subsequent step entails focusing on the models itself "*
>
> — Sushant Hiray, Sr. Director of Machine Learning @ RingCentral

Sushant urges early discussions around data practices, even if it feels premature. He emphasizes the importance of establishing discipline around data to prevent larger issues when regulations intensify.

Sushant's best practices for organizations to ready themselves for AI regulation

As the AI landscape undergoes increased scrutiny, organizations deploying AI must strategically position themselves to operate within more regulated environments.

Sushant's tips are:

- Foster a compliance mindset with cross-functional governance bodies.

- Increase model documentation progressively in line with emerging regulations.

- Engage legal/compliance teams early when developing AI systems.

- Plan for compliance needs to change over time rather than remain static.

By heeding Sushant Hiray's advice on robust data governance, progressive model documentation, global regulatory monitoring, and cross-functional compliance collaboration, companies can effectively prepare for the new era of AI oversight.

Yu Pan

Documenting Model Development in the Banking Industry

> **What processes do you have in place to ensure AI model compliance?**

In discussing the model development process in banking, Yu Pan provides a comprehensive overview of the multiple steps models must go through. These include conceptual design, data processing, testing, validation, implementation, monitoring, annual reviews, and revalidation every 2-3 years.

> "*Whatever models we build that impact customers are not only subject to the highest validation security but also heavily examined by the regulators as well.*"
>
> — Yu Pan, Chief Model Risk Officer @ US Bank

To meet requirements, banks must thoroughly demonstrate that the model serves its intended purpose, explore alternative approaches, validate the clean and unbiased data, and rigorously test model performance. The extensive process requires significant investments in model risk management teams to ensure that the models are conceptually sound, perform robustly, and meet compliance requirements.

Documenting Model Development in the Banking Industry

> **When discussing models and systems with regulators, what is US Bank's documentation scale?**

Pan emphasizes how critical thorough documentation is for banking models. He notes that documentation can easily exceed hundreds of pages to meet model risk management standards and regulator expectations for one high-risk model alone. Banks must clearly explain models and justify development choices to regulators.

> *"Documentation is very critical, as we go through the model lifecycle you must demonstrate your understanding of the business and the quality of your model."*

— Yu Pan, Chief Model Risk Officer @ US Bank

Yu Pan
Chief Model Risk Officer @
US Bank

> **What is the most important takeaway on this topic for the team and audience here today?**

While tech firms develop leading-edge tools and models, Pan stresses they must closely adhere to banking regulations for their products to be usable in this industry. AI model innovation must fit within banking compliance frameworks. Offering guidance to tech companies aiming to provide services for banks, Pan advises:

> *"If you want to work with the heavily regulated banking industry, you need to understand the risk management requirements and regulatory rules, and follow them. That is my advice."*

— Yu Pan, Chief Model Risk Officer @ US Bank

Yu Pan's insights on documenting model development in the banking industry

Overall, Pan emphasized that while AI will drive the future of banking, building and implementing AI models in the heavily regulated banking industry involves comprehensive processes, extensive testing and documentation, and strict compliance requirements. Tech companies must closely follow the risk and compliance rules if they want their models and services adopted.

Yu's tips are:

- Banks must follow a rigorous process for AI model compliance.

- Extensive documentation is crucial for transparency and regulatory compliance.

- Tech firms must understand and adhere to banking regulations for success in the industry.

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The Vectice community's purpose is to focus on leadership and management in data science. Over the past year, we have built a community of 1,250+ AI leaders including 300+ VPs across the U.S. In this community, we organize events and build thought leadership content for leaders.

Only
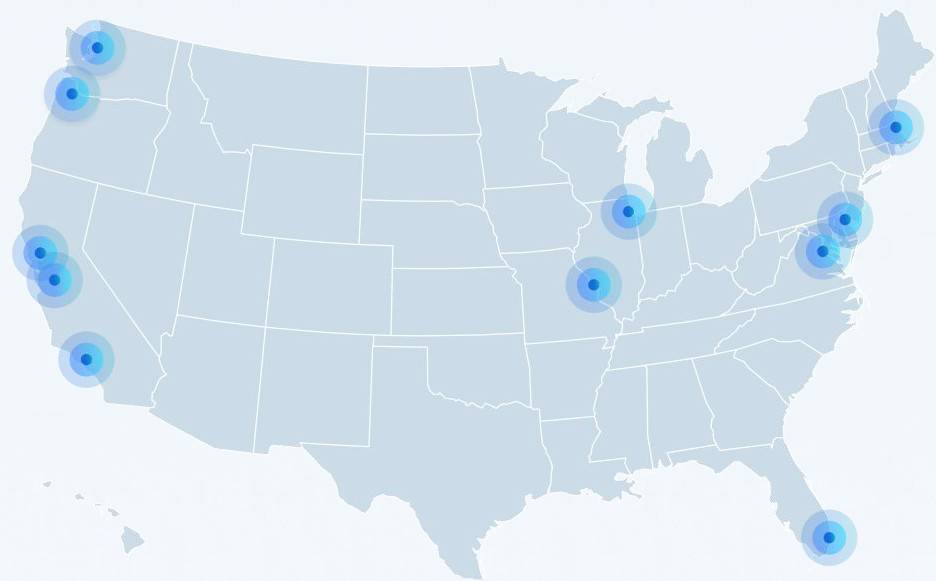**Community** for leadership in **Artificial Intelligence**

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Directors of DS or ML

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Topics we discuss

- Alignment with the business
- Talent acquisition & retention
- Centralized & embedded teams
- Distributed teams, OKR, KPIs
- C-level buy-in
- M&A impact on DS/ML function

Introduction

Auto-documentation for model development & data analysis

vectice

AI you trust, *faster*

Vectice offers the most automated data science documentation solution, designed for instant adoption. Vectice fosters enhanced collaboration and efficiency in AI projects, all while maintaining continuous alignment with all stakeholders.

25% faster model/analysis to production
Automate documentation and versioning for AI/ML artifacts with lineage tracking.

Transparency for all stakeholders
Enhance collaboration with a live view of all AI/ML development aspects.

Ease-of-use for all data scientists
Continuously document work in progress in AI/ML development using best practice templates.

Fast onboarding even for enterprises
Seamlessly integrates with your AI platform, tools, and frameworks for rapid adoption and quick ROI.
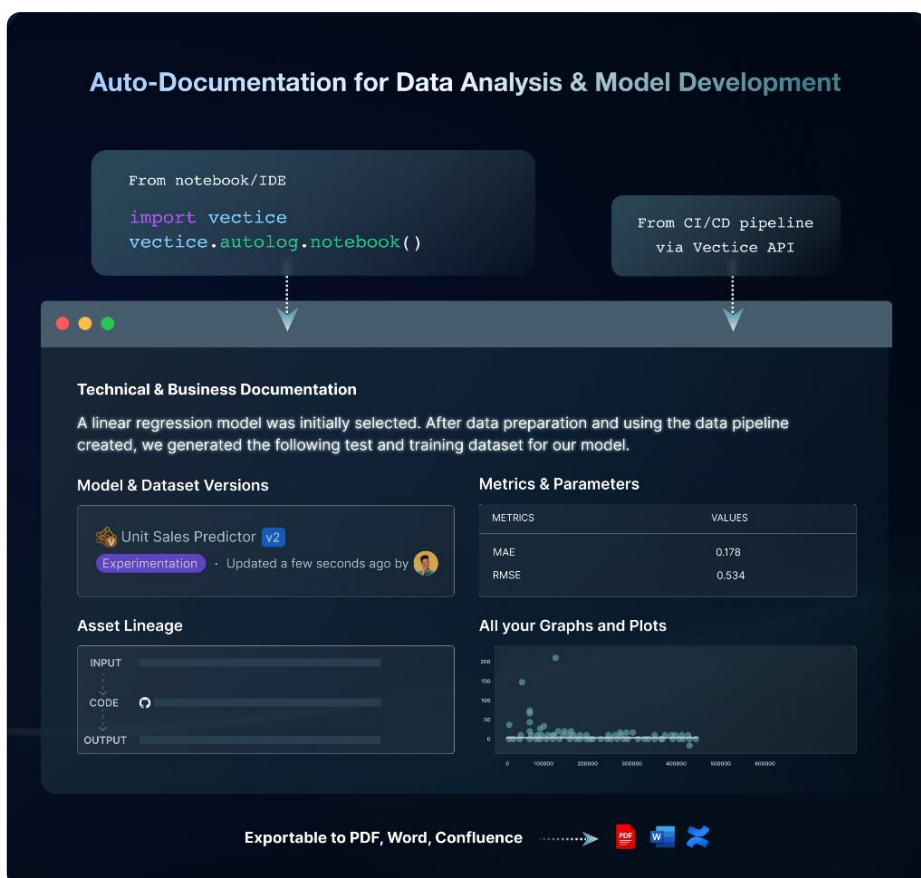
For Data Scientists - Documentation Made Easy

Generate continuous and comprehensive documentation of your data science projects in an intuitive user interface.

- Auto-log and version your notes, build data sheets for datasets & model cards directly from the code
- Includes metadata, lineage, git, asset sources, plots and attachments
- Automated Plain English documentation generation and custom MRM Reports

▶ **Watch in Action**

For Teams - Standardize Best Practices

Empower modeling teams to easily standardize their best practices using Vectice's templates and collaborative features.

- Intuitive customizable project template guidelines
- Guidelines easily accessed by data scientists directly from their notebooks or their code in Python and R
- Built in approval process

For Enterprise - AI Catalog for Visibility & Governance

Vectice offers audit trails for governance or regulation, approval processes, and dashboards for quick and informed decision-making.

- Catalog of all your models, assets and AI projects
- Real time view of all projects as teams work, fed directly from their code
- Audit Trail

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