

DIGITAL REGULATORY SUPERVISION RECORD

System-of-Record Artifact — Point-in-Time

AI & Algorithmic Systems

Record ID:	DRSR-2026-AICO-JAN29
Record Date:	January 29, 2026
Company:	AICO - Illustrative AI Software Company
Supervisory Owner:	Rachel Kim, Chief Operating Officer
Prepared By:	DigitalRegIntel

This is a single supervisory record composed of three formally distinct sections, each with different evidentiary roles and mutability properties.

Section	Purpose	Properties
1. Regulatory Awareness Record (RAR)	Regulatory Awareness Record — what was known	Immutable; point-in-time
2. Supervisory Applicability & Attestation (SAA)	Supervisory Applicability & Attestation — how it applies	Attested by supervisory owner
3. Supervisory Action Register (SAR)	Supervisory Action Register — what was done	Append-only action log

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SECTION 1

REGULATORY AWARENESS RECORD

(RAR)

Supervisory awareness as of January 29, 2026

1.1 EXECUTIVE SUMMARY

Why This Record Exists

At some point, your next investor, enterprise customer, or regulator will ask you to show how AI governance was supervised. This record exists for that moment.

How AI governance was supervised over time — not whether systems appear compliant in hindsight.

This record preserves contemporaneous, time-stamped evidence that:

- Relevant AI regulatory and enforcement developments were actively monitored
- Applicability to the company's operating model was identified
- Supervisory judgment was exercised before regulatory inquiry, enterprise diligence, or enforcement

This Record IS	This Record IS NOT
Evidence you can produce when asked	Legal advice
A defensible record of supervisory judgment	A compliance audit or certification
Immutable once generated	A risk score, rating, or opinion

1.2 RECORD SCOPE

This Regulatory Supervision Record documents supervisory awareness, supervisory applicability and attestation, and supervisory actions taken by management as of the record date. It does not represent a regulatory determination, examination finding, or supervisory conclusion by any regulatory authority.

1.3 SUPERVISORY MATERIALITY & ESCALATION CRITERIA

Events are included in the Regulatory Awareness Record when they reflect:

- New or changed supervisory expectations for AI systems
- Heightened scrutiny of comparable AI operating models
- Emerging enforcement or policy trends in algorithmic accountability
- Context referenced by regulators, enterprise customers, or material counterparties

Posture Guidance

Posture	Guidance
OBSERVED	Monitored for relevance; no current supervisory action required
MONITORED	Potential applicability or trajectory; active tracking in progress
ESCALATED	Heightened supervisory attention requiring management or board awareness
DEFERRED	Reviewed and documented but intentionally postponed pending defined trigger

Supervisory posture reflects management prioritization for oversight and decision-making and does not, by itself, imply legal applicability, non-compliance, or a remediation obligation. Movement between postures reflects changes in supervisory context and is documented contemporaneously.

1.4 SUPERVISORY SUMMARY

Jurisdictions Covered:	United States (Federal); European Union
Regulatory Domains:	FTC Algorithmic Accountability; EU AI Act; State AI Laws; Data Privacy & AI Training
Temporal Scope:	Publicly observable regulatory and enforcement activity through January 29, 2026

Supervisory Posture at a Glance — January 29, 2026

ESCALATED	EU AI Act compliance (GPAI obligations Aug 2025; high-risk Aug 2026); FTC algorithmic accountability enforcement; AI capability claims substantiation
MONITORED	State AI disclosure laws (Colorado, Illinois); Enterprise customer AI governance questionnaires; AI training data provenance requirements
OBSERVED	NIST AI RMF adoption trends; SEC AI disclosure guidance; Sector-specific AI regulations
DEFERRED	EU AI Act high-risk conformity assessment (pending Aug 2026 deadline); AI incident reporting requirements (pending final rules)

1.5 COMPANY REGULATORY CONTEXT

Based on declared inputs, the company develops and deploys AI-driven enterprise software providing predictive analytics, decision support, and workflow optimization to business customers.

Sector:	Enterprise AI Software / B2B SaaS
Business Model:	Subscription-based enterprise software; API-delivered AI capabilities
AI Deployment:	Third-party foundation models via API; proprietary fine-tuned models
Customer Base:	Enterprise customers (B2B); no direct consumer-facing decisions
Geographic Exposure:	~65% US; ~25% EU; ~10% Other

1.6 SUPERVISORY POSTURE MATRIX

Each regulatory domain reflects a deliberate posture — not a passive observation.

Regulatory Domain	Status	Supervisory Rationale
EU AI Act Compliance	ESCALATED	<ul style="list-style-type: none"> • GPAI obligations effective Aug 2025 • High-risk system rules effective Aug 2026 • Penalty regime up to 7% global turnover • ~25% revenue from EU customers
FTC Algorithmic Accountability	ESCALATED	<ul style="list-style-type: none"> • Operation AI Comply enforcement sweep (Sept 2024) • Model deletion remedies established (Everalbum, Rite Aid) • AI capability claims substantiation required (DoNotPay)
State AI Disclosure Laws	MONITORED	<ul style="list-style-type: none"> • Colorado AI Act effective Feb 2026 • Illinois BIPA biometric requirements • Fragmented state-by-state compliance
AI Training Data Governance	MONITORED	<ul style="list-style-type: none"> • Copyright litigation exposure (NYT v. OpenAI) • Data provenance documentation expectations • Enterprise customer due diligence requirements
NIST AI RMF Adoption	OBSERVED	<ul style="list-style-type: none"> • Voluntary framework gaining enterprise adoption • Enterprise customer RFP requirements increasing • No current regulatory mandate
AI Incident Reporting	DEFERRED	<ul style="list-style-type: none"> • EU AI Act incident reporting rules pending • No current US federal mandate • Compliance deferred pending final requirements

Acknowledged Areas of Regulatory Uncertainty

- Scope of FTC enforcement following administration change and AI Action Plan implementation
- Application of EU AI Act to enterprise decision-support tools not listed in Annex III
- Extraterritorial reach of EU AI Act to US-based providers serving EU customers
- Treatment of foundation model fine-tuning under GPAI provider obligations

1.7 KEY ENFORCEMENT & REGULATORY DEVELOPMENTS

Enforcement actions and public supervisory statements are cited as supervisory signals only and do not constitute assertions of applicability to the Company unless expressly stated in Section 2.

United States — FTC AI Enforcement

FTC v. Everalbum, Inc. (January 2021) — Established that model deletion may be required as a remedial measure in cases of deficient data governance. Created lifecycle accountability precedent for AI systems. Status: ESCALATED

FTC v. Rite Aid Corporation (December 2023) — Governance failures in facial recognition deployment; five-year ban on biometric surveillance. Established AI governance documentation expectations. Status: ESCALATED

FTC v. DoNotPay, Inc. (January 2025) — \$193K settlement for unsubstantiated AI 'robot lawyer' capability claims. Established AI capability claims require substantiation. Status: ESCALATED

Operation AI Comply (September 2024) — FTC enforcement sweep targeting deceptive AI claims and AI-enabled consumer harm. Signals sustained enforcement priority. Status: ESCALATED

European Union — AI Act

EU AI Act — Regulation (EU) 2024/1689 — Comprehensive AI regulatory framework. Prohibited practices effective Feb 2025; GPAI obligations Aug 2025; high-risk Aug 2026. Status: ESCALATED

EU AI Act Penalty Regime (Effective Aug 2025) — Up to EUR 35M or 7% global turnover for prohibited practices; EUR 15M or 3% for other violations. Status: ESCALATED

1.8 SUPERVISORY AWARENESS TIMELINE

Date	Event	Jurisdiction	Status
Jan 2021	FTC v. Everalbum settlement (model deletion)	US Federal	ESCALATED
Dec 2023	FTC v. Rite Aid (facial recognition ban)	US Federal	ESCALATED
July 2024	EU AI Act entered into force	EU	ESCALATED
Sept 2024	FTC Operation AI Comply enforcement sweep	US Federal	ESCALATED
Jan 2025	FTC v. DoNotPay (AI claims substantiation)	US Federal	ESCALATED
Feb 2025	EU AI Act prohibited practices effective	EU	ESCALATED
Aug 2025	EU AI Act GPAI obligations effective	EU	ESCALATED
Aug 2026	EU AI Act high-risk system rules effective	EU	DEFERRED

1.9 VERSIONING RULE

This Regulatory Awareness Record supersedes prior awareness summaries for forward-looking supervisory purposes only. Earlier records remain authoritative for their respective as-of dates and are not amended or restated.

SECTION 2

SUPERVISORY APPLICABILITY & ATTESTATION (SAA)

How it applies to this company

2.1 PURPOSE

This section maps the supervisory awareness documented in Section 1 Regulatory Awareness Record to the Company's specific AI products, services, and operational exposure.

Section 1 documents what supervisory signals existed. This section documents how those signals apply to this company.

This section supports supervisory decision-making by legal, compliance, risk, and operations leadership; attestation reflects supervisory judgment, while execution ownership is reflected in the Supervisory Action Register (Section 3).

2.2 DECLARED AI CAPABILITIES MATRIX

Designate AI capabilities the Company develops or deploys. Supervisory posture applies to declared capabilities only.

AI Capability	Deployed	Not Deployed	Regulatory Nexus
Predictive analytics / forecasting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	FTC Section 5, EU AI Act risk classification
Decision support / optimization	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Algorithmic accountability, NIST AI RMF
NLP / document analysis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Data privacy, training data provenance
Generative AI features	<input checked="" type="checkbox"/>	<input type="checkbox"/>	EU AI Act GPAI, copyright, disclosure
Computer vision / biometrics	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Illinois BIPA, EU AI Act prohibited practices
Automated consumer decisioning	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ECOA, FCRA, state consumer protection
HR / employment screening	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NYC Local Law 144, Colorado AI Act
Foundation model development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	EU AI Act GPAI provider obligations

Additional Context: Company uses third-party foundation models via API (OpenAI, Anthropic); does not develop foundation models internally. Primary deployment is B2B enterprise SaaS; no direct consumer-facing automated decision-making.

2.3 DECLARED MARKET & JURISDICTIONAL EXPOSURE

Market	Revenue %	Customer Types	Key Regulations
United States	~65%	Enterprise	FTC Section 5, State AI laws
European Union	~25%	Enterprise	EU AI Act, GDPR
Other (UK, APAC)	~10%	Enterprise	UK AI Framework, local privacy

EU AI ACT APPLICABILITY FLAG

Company serves EU customers and is subject to EU AI Act as a provider/deployer under Article 2 territorial scope

Risk classification analysis in progress; high-risk Annex III applicability under review for certain use cases.

2.4 SUPERVISORY EXPOSURE ATTESTATION

AI Products in Scope

Product	AI Capabilities	Customer Count
Enterprise Analytics Platform	Predictive analytics, NLP	~85 enterprise customers
Workflow Optimization Suite	Decision support, optimization	~120 enterprise customers
AI Assistant (Beta)	Generative AI, NLP	~40 pilot customers

AI Governance Documentation Acknowledgment

- AI System Inventory (maintained by Engineering)
- Model Risk Management Policy (dated September 2024)
- AI Ethics Principles (Board-approved March 2024)
- Data Governance Framework (GDPR/CCPA aligned)

2.5 SUPERVISORY POSTURE ACKNOWLEDGMENT

- ESCALATED domains in Section 1 have been reviewed against our declared AI capabilities
- EU AI Act applicability has been flagged for legal review
- Uncertainty areas have been discussed with counsel
- FTC enforcement precedents have been reviewed for applicability
- Section 3 (SAR) has been initiated for ESCALATED domains

ESCALATED DOMAIN — DIRECT APPLICABILITY

ESCALATED Domain	Direct Applicability	SAR Reference
EU AI Act Compliance	Yes	Section 3.2
FTC Algorithmic Accountability	Yes	Section 3.3

2.6 ATTESTATION & CERTIFICATION

I certify that the declarations in this section accurately reflect the Company's AI capabilities, market exposure, and supervisory posture as of the record date.

This attestation documents that supervisory judgment was exercised over the Company's AI regulatory exposure. It does not certify compliance, legal sufficiency, or control effectiveness.

This attestation applies solely to AI capabilities and markets declared herein and does not extend to undeclared or future products, based on supervisory awareness as of the record date and subject to the limitations described herein.

Signature:	/s/ Rachel Kim
Printed Name:	Rachel Kim
Title:	Chief Operating Officer
Authority:	<input checked="" type="checkbox"/> COO <input type="checkbox"/> General Counsel <input type="checkbox"/> Chief Compliance Officer <input type="checkbox"/> Other
Attestation Date:	January 29, 2026

SECTION 3

SUPERVISORY ACTION REGISTER

(SAR)

What was done — append-only log

3.1 PURPOSE

This section documents the specific actions taken in response to ESCALATED supervisory domains. It provides drill-down evidence that supervisory awareness was translated into operational decisions.

When an enterprise customer, investor, or regulator asks "Show me what you did about this," this section provides the answer.

Regulators do not require remediation — they require judgment. Documenting "No Action — Reviewed" is a valid supervisory response where posture was evaluated and no change was warranted.

Actions may include escalation, analysis, documentation, confirmation of no change, or deferral where appropriate.

This Section IS	This Section IS NOT
Evidence of supervisory judgment on escalated domains	A task management or workflow system
A map from supervisory awareness to operational response	A compliance checklist or audit trail
Pointers to supporting documentation	A replacement for internal controls testing
Append-only once entries are created	A risk rating or compliance certification

3.2 EU AI ACT COMPLIANCE

Status: ESCALATED

Supervisory Rationale: • GPAI obligations effective Aug 2025 • High-risk system rules effective Aug 2026 • Penalty regime up to 7% global turnover • ~25% revenue from EU customers

Impacted Products

Product	EU Customer Exposure	Applicability
Enterprise Analytics Platform	~20 EU enterprise customers	High
Workflow Optimization Suite	~30 EU enterprise customers	High
AI Assistant (Beta)	~10 EU pilot customers	High (GPAI)

Actions Taken

Date	Action Type	Description	Evidence Ref
08/2024	Review	Legal review of EU AI Act applicability to product portfolio; confirmed no prohibited practices exposure	EV-001
09/2024	Escalation	Board briefing on EU AI Act timeline and compliance roadmap; added to quarterly oversight agenda	EV-002
10/2024	Update	Completed AI system inventory with risk classification mapping per Annex III categories	EV-003
11/2024	Training	AI literacy training completed for customer-facing and technical staff (Art. 4 compliance)	EV-004
01/2026	Review	GPAI obligations gap assessment for AI Assistant product; identified documentation requirements	EV-005
01/2026	Deferral	High-risk conformity assessment deferred pending Aug 2026 deadline; monitoring guidance	EV-006

Reasonableness Statement

Given the EU AI Act's phased implementation timeline, with prohibited practices effective February 2025 and GPAI obligations effective August 2025, management determined that EU AI Act Compliance warranted ESCALATED status. The actions taken were designed to: (1) confirm no prohibited practices exposure; (2) establish AI literacy compliance; (3) initiate high-risk classification analysis with appropriate deferral of conformity assessment pending the August 2026 deadline. These actions reflect proportionate supervisory judgment given the Company's ~25% EU revenue exposure.

3.3 FTC ALGORITHMIC ACCOUNTABILITY

Status: ESCALATED

Supervisory Rationale: • Operation AI Comply enforcement sweep (Sept 2024) • Model deletion remedies established (Everalbum, Rite Aid) • AI capability claims substantiation required (DoNotPay)

Impacted Areas

Area	Exposure	Applicability
Marketing / AI capability claims	Website, sales materials, product docs	High
Model training data governance	Third-party and proprietary data	Medium
AI system documentation	Model cards, system architecture	Medium

Actions Taken

Date	Action Type	Description	Evidence Ref
10/2024	Review	Marketing review of all AI capability claims against FTC substantiation requirements (DoNotPay precedent)	EV-007
11/2024	Update	Updated website and sales materials to remove unsubstantiated AI performance claims	EV-008
12/2024	Review	Data governance assessment against Everalbum/Rite Aid standards; confirmed compliant practices	EV-009
01/2026	Update	Implemented model documentation standards (model cards) for all production AI systems	EV-010

Reasonableness Statement

Given the FTC's sustained enforcement activity through Operation AI Comply and the established precedent of model deletion remedies (Everalbum, Rite Aid), management determined that FTC Algorithmic Accountability warranted ESCALATED status. The actions taken were designed to: (1) ensure marketing claims meet FTC substantiation requirements; (2) establish model documentation practices aligned with enforcement expectations; (3) confirm data governance controls sufficient to avoid model deletion risk. These actions reflect proportionate supervisory judgment given the ~65% US revenue exposure.

3.4 EVIDENCE INDEX

Central index of supporting documentation. Enables rapid retrieval if a customer, investor, or regulator requests drill-down evidence.

Evidence references identify the existence, custodian, and location of supporting materials. Supporting materials are maintained in the Company's own systems of record and are not required to be uploaded to this system.

Nothing in this record requires centralization of privileged or confidential materials.

Ref	Document Description	Date	Location / Custodian
EV-001	Legal Memo — EU AI Act applicability assessment	08/2024	Legal / Outside Counsel
EV-002	Board Minutes — EU AI Act briefing and roadmap	09/2024	Board portal / COO
EV-003	AI System Inventory with Annex III mapping	10/2024	Engineering / VP Eng
EV-004	AI Literacy Training completion records	11/2024	HR / People Ops
EV-005	GPAI gap assessment — AI Assistant product	01/2026	Product / COO
EV-006	Deferral Memo — High-risk conformity assessment	01/2026	Legal / COO

EV-007	Marketing Claims Substantiation Review	10/2024	Marketing / Legal
EV-008	Website/Sales Materials Update Log	11/2024	Marketing / COO
EV-009	Data Governance Assessment Report	12/2024	Engineering / Legal
EV-010	Model Documentation Standards (Model Cards)	01/2026	Engineering / VP Eng

3.5 REGISTER INTEGRITY

Register Created:	January 29, 2026
Last Entry Added:	January 29, 2026
Register Owner:	Rachel Kim, Chief Operating Officer

REGISTER INTEGRITY NOTE

This section is append-only. New entries may be added as supervisory actions are taken, but existing entries should not be modified or deleted.

Entries are recorded contemporaneously or as soon as practicable following the supervisory action.

3.6 ACKNOWLEDGMENT

I acknowledge that the actions documented in this section reflect supervisory decisions made in response to ESCALATED domains. This provides evidence of judgment exercised, not certification of compliance or control effectiveness.

Signature:	/s/ Rachel Kim
Printed Name:	Rachel Kim
Title:	Chief Operating Officer
Date:	January 29, 2026

HOW THIS INTEGRATES WITH ENTERPRISE RISK MANAGEMENT

This Digital Regulatory Supervision Record operates alongside — and does not replace — the Company's AI governance framework, model risk management, and enterprise risk assessment processes.

DRSR Component	Purpose in This Record	Where It Integrates
Regulatory Awareness Record (RAR)	Supervisory signals and developments known as of the record date	Enterprise Risk Assessment inputs; Emerging Risk Identification
Supervisory Applicability & Attestation (SAA)	How supervisory expectations apply to the Company	Risk appetite interpretation; Regulatory risk ownership
Supervisory Action Register (SAR)	Actions and decisions resulting from supervisory awareness	Issue management; Management action tracking; Board reporting

RECORD INTEGRITY & LIMITATIONS

Record ID:	DRSR-2026-AICO-JAN29
Date Generated:	January 29, 2026 (Sections 1, 2, 3)
Methodology:	Supervisory signal analysis based on publicly observable regulatory and enforcement sources; point-in-time record
Format:	Section 1 (RAR): Immutable Section 2 (SAA): Attested Section 3 (SAR): Append-only

Limitations

- Relies solely on publicly available regulatory and enforcement sources
- Reflects supervisory awareness as of stated dates only
- Does not assess compliance or legal sufficiency
- Does not replace advice of internal or external counsel
- Does not certify controls, policies, or operational outcomes

POINT-IN-TIME DESIGN

This record proves what was known and decided at the time—not reconstructed after the fact. Future regulatory developments, operational changes, or inconsistent future use do not negate the supervisory awareness documented herein.

SUPERVISORY VALIDATION OF GENERATED CONTENT

Where any content in this record was initially generated or drafted with automated assistance, supervisory review and judgment were exercised prior to attestation. Supervisory ownership and decision-making authority remain solely with the designated supervisory owner.

END OF RECORD
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