

DEATH OF THE AI RULEBOOK: NAVIGATING THE GLOBAL SPLINTERNET

For the last two years, U.S. Boards have been waiting for the "Big One". A single, unified AI Rulebook that would make AI risk easier to navigate.

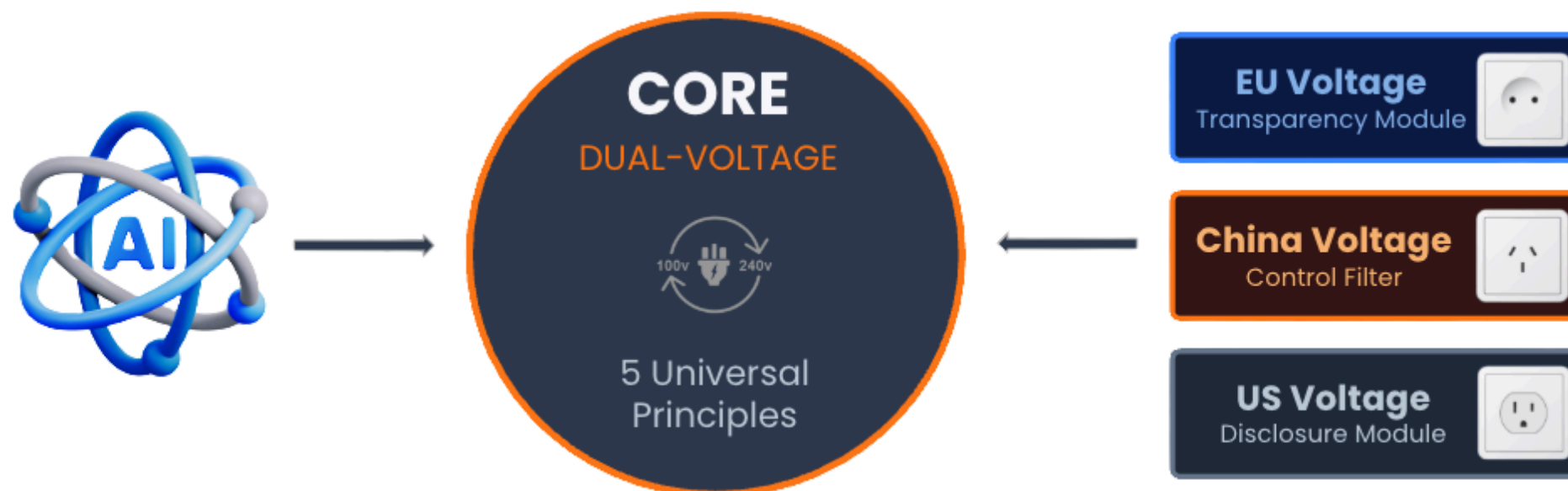
That dream is officially dead.

In late March 2026, the White House released its *National Policy Framework*, handing AI oversight to the existing "Agency Alphabet Soup" (SEC, FTC, HHS). But the challenge is bigger than just the U.S. We have entered the era of the Regulatory Splinternet. If your organization operates globally, you aren't just dealing with different rules; you are dealing with different "voltages" of enforcement.

Scott's Insight: The "Snap-on Adapter"

Think of your AI models like high-end electronics. If you take a U.S. device (110v) and plug it directly into an EU outlet (240v) without an adapter, you'll fry the system.

In 2026, you cannot rebuild your AI models for every country. Instead, you must build a **Dual-Voltage Architecture**. Your core AI model remains the same, but you apply "Snap-on Adapters". Local overlays that toggle rules based on IP address:



- **The EU Adapter:** Adds watermarking and explains decisions.
- **The China Adapter:** Filters sensitive outputs for state security.
- **The U.S. Adapter:** Highlights liability disclaimers and Terms of Service.

Audit's job is no longer just checking a list; it's ensuring the "Adapter" works before the regulator trips the circuit breaker.

The "Fake Risk" vs. The Real Threat

- **The Fake Risk:** Believing you are "compliant" because you followed a generic domestic framework.
- **The Real Threat:** Market Lockout. Failing a pre-market conformity test in the EU or a security assessment in China doesn't just mean a fine, it means an immediate inability to deploy in that zone.

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IS YOUR ORGANIZATION ACCEPTING "TOXIC" EVIDENCE?

What I'm Reading

1. President Trump Unveils National AI Legislative Framework

- **The Article Link:** [White House Release](#)
- **The Synopsis:** This framework rejects a centralized AI czar, instead empowering existing agencies to use their expertise for oversight.
- **The Takeaway (Clarity):** This confirms that Clarity in 2026 requires forensic mapping. You must find the "missing message" in how specific regulators, from the SEC to the FTC, view your technical stack.

2. IIA Issues Statement on the White House National AI Legislative Framework

- **The Article Link:** [The IIA Press Release](#)
- **The Synopsis:** IIA CEO Anthony Pugliese argues that independent assurance is the necessary oversight infrastructure to ensure AI operates with transparency and accountability.
- **The Takeaway (Resilience):** This is about Resilience through verification. You cannot protect an organization from next-gen threats using last-gen methodologies; Audit must act as the "[Digital Nutrition Label](#)" (Issue 02 of The ARC Pulse) for AI logic.

3. AI Security Riders: The New Cyber Insurance Reality

- **The Article Links:** [MSSP Alert](#) | [Insurance Journal](#)
- **The Synopsis:** Insurance carriers are now mandating "AI Security Riders," requiring proof of model-level risk assessments to maintain coverage.
- **The Takeaway (Adaptability):** Adaptability is now tied to insurability. If Internal Audit cannot provide the "evidentiary trail" of safety testing, your organization could face a catastrophic risk event with zero coverage.

Practical Tip:

This month, stop looking for a unified AI policy. Instead, create a Regulatory Matrix.

1. **List every AI use case** currently in production.
2. **Assign the primary regulator** responsible for that specific business function (e.g., HR = EEOC, Finance = SEC).
3. **Cross-reference your internal controls** against the specific guidance of those individual agencies. If you find a use case with no assigned regulator, that's your biggest "Shadow AI" liability.

Resources & Events

- ➔ **[Webinar] Micro-Audit Strike Teams: Operationalizing Rapid Response (Sponsored by Wolters Kluwer):**
Learn how to build "surge capacity" to catch AI-driven anomalies before they derail your year. This doesn't replace your annual plan; it protects it. June 3rd (North America & EMEA). [Wolters Kluwer](#) registration coming soon.
- ➔ **[Virtual Roundtable] FinServ Connected Risk (Sponsored by Optro):**
We're tackling the "Connected Risk" model, moving from siloed operations to a unified data core that examiners won't rip apart. Followed by a fireside chat with Parmanand Jagerdeo (FINRA).
- ➔ **Podcast:**
Listen to my latest discussion on the intersection of human leadership and technical risk on the **Institute of Internal Audit's** "All Things Internal Audit" series. [IIA Website](#) | [YouTube](#).

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