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AI IN THE BOARDROOM: CHALLENGES AND OPPORTUNITIES

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1. THE POTENTIAL OF AI IN THE BOARDROOM (1/2)

- Saving time and costs by automating administrative tasks and document review
- Processing vast amounts of data quickly and accurately
- Providing data-driven insights that eliminate human biases and errors
- Enhancing risk management and compliance monitoring
- Faster and more precise strategic decision-making
- Improved operation insights through advanced analytics
- Real-time market trend analysis
- Predictive analytics for strategic planning
- Mitigate agency costs and the absence of truly independent directors
- Identifying potential business risks and opportunities

Möslein, 2017; Petrin, 2019; Armour & Eidenmuller, 2020; Enriques & Zetsche, 2020; Gramitto Ricci, 2020; Lee and Peter Underwood, 2021; Kaya, 2022; Sayegh, 2023; Li 2024; Helleringer & Möslein, 2025

1. THE POTENTIAL OF AI IN THE BOARDROOM (2/2)

- Present: AI mainly used for assisting humans in administrative tasks and business decisions
 - Algorithms assisting humans in business decisions (e.g., HK VC fund's VITAL)
 - AI tools assisting humans in the collection and summary of information (e.g., Singapore's DBS Bank)
- Future: AI could be autonomous and, to a certain extent, replace humans on boards
 - Algorithms (or Agentic AI) as new board members? (Möslein, 2017; Gramito Ricci 2020)
 - AI may replace certain directors (e.g., independent directors)? (Li, 2024)
 - AI for self-driving corporations? (Armour/Eidenmuller, 2020)

2. CHALLENGES FOR THE ADOPTION OF AI IN THE BOARDROOM (1/3)

Practical challenges

- Lack of foundation to support AI implementations
 - If organisations don't have the proper data management system in place, they cannot make full use of AI/ gen AI
- Adoption of employees
 - Organisations will need employees to be willing adopt AI tools, especially given that many of the areas where AI/ gen AI tools are employed have many employees, i.e. marketing, sales, risk, audit and financial reporting
- Digital literacy is still low within the board and management
 - Not many external directors have an IT background
 - Many companies are prioritizing bringing a diverse range of skills and backgrounds to their boards, rather than solely focusing on bringing digital transformation and AI knowledge and experience

(Brash et al, 2024)

2. CHALLENGES FOR THE ADOPTION OF AI IN THE BOARDROOM (2/3)

Ethical challenges

- Lack of moral compass: AI systems cannot replicate human intuition/moral judgement, potentially leading to decision that lack empathy/consideration for long-term societal impact (Gramito Ricci 2020)
- Problem exacerbated in countries with stakeholder-oriented provisions in their corporate laws? (E.g., China, India, Brazil, Nigeria, Ghana...)
- Bias and discrimination: AI algorithms may exhibit bias, particularly in areas like employment decisions/lending, which can lead to legal challenges (Li, 2024)

2. CHALLENGES FOR THE ADOPTION OF AI IN THE BOARDROOM (3/3)

Legal risks and challenges

- Uncertainty about the scope and limits of directors' duties and the BJR in the AI era (Helleringer & Möslein, 2025)
- Liability of companies and directors in the AI era:
 - Who is going to be held liable for a business decision made by a board of directors based on a decision made by an algorithm?
 - What about if the decision is autonomously made by an AI system (e.g. Agentic AI)?
 - Liability against consumers vs liability against shareholders/creditors
 - Product liability: AI users vs AI developers

3. STRATEGIES FOR HANDLING LEGAL AND ETHICAL RISKS

- **Regulation (European approach, at least in many AI-related aspects)**

- CorpTech regulation. Desirable approach? See Enriques & Zetzsche, 2020
- Algorithmic audits . A desirable solution? See Remolina, 2022

- **Market-based approach (Singapore)**

- Guidelines and AI governance frameworks (e.g., Model AI Governance Framework)
- Certifications on the accuracy, transparency, explainability and fairness of AI systems (e.g., AI Verify)

- **Combined approach (China)**

- Combination of AI regulations and voluntary frameworks
- While China does not have a comprehensive AI law, it does have direct AI regulations that regulate specific types of AI technologies

4. CONCLUSION

- AI is expected to transform the functioning, decision-making and even composition of the board of directors.
- Nonetheless, there are certain risks and challenges that need to be addressed, including various legal challenges that may discourage boards from fully embracing AI in the boardroom.
- Best regulatory approach to address those challenges? It may depend on several factors, including:
 - Regulatory objectives/priorities (e.g., innovation/competitiveness vs consumer protection)
 - General approach to AI regulation (e.g., general or sectorial approach)
 - Country-specific factors (e.g., regulatory architecture, size, culture, engagement between regulator and industry...)

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Many thanks!