

THE AI INSTITUTE / OPERATING INTELLIGENCE

REGULATORY DECISION BRIEF · 24 SEP / 2026



Rehearse Losing Your AI Supplier

A fresh warning from European supervisors makes a practical question urgent: which essential work could you keep running without your preferred AI provider?

Boards, C-suite and senior management

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PUBLICATION RECORD

An Institute thesis and decision framework

Before making an AI supplier essential to a business service, rehearse how that service will continue without it. A second contract is not a tested fallback.

WHAT LEADERS SHOULD TAKE FROM THIS PAPER

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|----|---|
| 01 | Choose the business service that cannot wait, not the most impressive AI demonstration. |
| 02 | Test a reduced but acceptable service before assuming another supplier is interchangeable. |
| 03 | Separate binding local obligations, supervisory expectations and voluntary guidance. |
| 04 | Fund the people, access and operating capacity needed to carry out the fallback. |

Research method

Institute analysis of official supervisory communications, current statutory and prudential texts, international policy work, a vendor release and one newly submitted arXiv preprint. Source statuses and commencement dates were checked separately. The rehearsal is an original management proposal, not an evaluated intervention or legal advice. No private-chat wording, third-party artwork or endorsement is used.

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How to use this brief

Start with the decision and use the framework to challenge the current plan. Figures retain their original populations and definitions. Institute analysis is labelled, and limitations are recorded before the references.

Start with the work that cannot wait

At the next AI investment review, ask for a demonstration with the preferred supplier unavailable. Can the organisation still answer urgent customers, review priority cases or prepare the information an accountable person needs? An impressive primary service and a well-negotiated contract do not answer that question. A rehearsal can reveal what the business would actually have left.

On 23 September, the European Supervisory Authorities warned that external technology dependencies could magnify disruption in the EU financial system, alongside cyber risks associated with more capable AI. This is a supervisory risk update, not a new global AI law. It is a timely reason to revisit a decision already forming inside organisations: which services are becoming dependent on a supplier they cannot readily replace? ¹

Before expanding that dependence, test one important service under supplier loss. This is not a prediction that a particular provider will fail. It is a way to discover whether the approved operating plan includes the day when the preferred option is missing.

Two suppliers can still share one weak point

Begin with a short map of the service, not an exhaustive inventory of every AI tool. Identify the provider doing the work, where essential information is held, how staff gain access and which other services the fallback requires. Ask the proposed alternative the same questions. Two different brands may not provide two independent recovery paths.

The Financial Stability Board has identified third-party dependencies and concentration as AI-related vulnerabilities, while noting significant monitoring gaps. Its work is an international policy reference, not a licence to declare every supplier relationship unsafe. The lesson is to investigate the dependency beneath the product label before counting it as diversified.²

A useful fallback might be another supplier, a smaller local system or a carefully limited manual process. None should be assumed superior in advance. A second provider that staff cannot access, that lacks the necessary records or that struggles with the customer's language may add procurement work without adding continuity.

Keep the legal map separate from the rehearsal

For financial entities within its scope, the EU's Digital Operational Resilience Act has applied since 17 January 2025. Article 28(8) requires exit strategies for technology services supporting critical or important functions, with documented plans that are sufficiently tested and periodically reviewed. Applicability depends on the entity and arrangement; this is not an obligation imposed on every business using a chatbot. ³

In the UK, the PRA's current outsourcing statement expects continuity and exit planning for material outsourcing arrangements. Its November 2024 version is current; the March 2026 revision is listed as taking effect in March 2027. Treat a future-effective document differently from today's supervisory expectations. ⁴

Singapore's agentic-AI framework offers governance guidance, not a cross-border prudential rule. Map the sector, entity and service before deciding which obligations apply. ⁶

A substitute must work, not merely connect

Changing the provider or infrastructure may also change the result. A new arXiv study examines how the same language model and prompt can produce different outputs across graphics processors, and reports a method to improve reproducibility on specified hardware. It is a bounded technical preprint, not a measurement of enterprise failover failures. The executive implication is narrower: verify the work after a change instead of equating a successful connection with a successful replacement.⁷

Supplier products are also evolving. Anthropic's 22 September Opus release describes changes to capabilities and integration behaviour. Those are the supplier's claims, not an independent comparison or a reason to recommend that product. They illustrate why a recovery procedure tied to one model version can age even while the commercial relationship remains unchanged.⁸

Use a small set of representative tasks to check the alternative. Include an ordinary case, an ambiguous case and one that should be stopped or referred to a person. Assess whether staff can recognise the limits. The fallback does not need to reproduce every sentence; it needs to deliver an acceptable service within the boundaries management has approved.

Rehearse a reduced service safely

Choose one service and define what must continue, what can wait and who may decide. An illustrative customer-service team might prioritise urgent enquiries while holding complex cases for qualified staff. This is a proposed exercise, not a reported customer deployment. Use representative material in a controlled setting; do not interrupt a live service merely to prove a point.

Measure the time to recognise the loss, activate the alternative and complete the priority work. Record missing records, unavailable permissions, additional review and the queue that accumulates. Include the people cost. A manual fallback that needs twice the available staffing is a funding decision, not a completed control.

Agree the conditions for returning to normal service as well as leaving it. Who reconciles work completed during the interruption? Who checks that no case was duplicated or lost? Who can stop the fallback if quality deteriorates? The exercise is useful when it changes an operating decision, even if its first result is that the planned rollout must remain smaller.

Buy continuity appropriate to the market

The operating question travels further than any one legal regime. North American buyers should examine their own sector rules and contracts rather than import DORA wholesale. European and UK firms need the correct entity-level scope. Across Asia-Pacific, test the actual languages and service locations in the proposed alternative.

For operations in African, Middle Eastern and Latin American markets, check connectivity, local supplier availability, information-transfer restrictions and the people available to run a reduced service. Do not assume either that local provision is adequate or that an overseas alternative is accessible. These are due-diligence questions, not claims that entire regions share the same infrastructure or law.

At renewal, ask the business owner to show what the rehearsal changed: a better alternative, retained access to essential records, extra capacity or a narrower rollout. A supplier can remain the best primary choice while the organisation reduces its dependence on uninterrupted access. The goal is not to buy two of everything. It is to know which work will continue, who will deliver it and what that promise costs.

EXHIBIT / THREE QUESTIONS FOR THE NEXT RENEWAL

CONTINUE	REHEARSE	FUND
Essential work What must still be delivered when the preferred supplier is unavailable? Institute proposal	Acceptable fallback Can the people, records and alternative service deliver it in time? Institute proposal	Recovery capacity What staffing, access and supplier changes make the plan credible? Institute proposal

RESEARCH RECORD

Method and limitations

Method

Institute analysis of official supervisory communications, current statutory and prudential texts, international policy work, a vendor release and one newly submitted arXiv preprint. Source statuses and commencement dates were checked separately. The rehearsal is an original management proposal, not an evaluated intervention or legal advice. No private-chat wording, third-party artwork or endorsement is used.

Limitations

The EU warning concerns the financial system and cannot establish failure probabilities for individual suppliers or other sectors. Research is hardware-specific and not peer-reviewed in this record. Regional recommendations are questions for local review, not a complete legal inventory. No provider outage, switching performance or global adoption rate is inferred.



Sources and limitations

Source facts link to the original publication. Institute analysis reconciles definitions and turns the material into a management proposition. Frameworks are decision aids, not claims of universal causality. Read every important statistic with its population, date, definition and caveat.

Research cutoff: 24 September 2026. Review cycle: six months, or earlier after a material change in the underlying facts, standards or policy.

REFERENCES

Evidence behind the thesis

01 European Supervisory Authorities: Autumn 2026 risk update

23 September 2026 official release; EU financial-system warning, not a new law. Indexed official text reviewed; direct retrieval unavailable.

02 FSB: Monitoring AI adoption and related vulnerabilities

10 October 2025; international monitoring report, including concentration and data gaps. Background, not new September 2026 regulation.

03 EU: Digital Operational Resilience Act, Articles 28 and 64

Regulation 2022/2554, published 27 December 2022; applies from 17 January 2025. Scope and proportionality matter.

04 PRA: Outsourcing and third-party risk management, SS2/21

Current November 2024 version, Chapter 10. March 2026 version has a future effective date of 18 March 2027.

06 IMDA: Model AI Governance Framework for Agentic AI

January 2026 framework, May 2026 update v1.5. Governance guidance, distinct from sector-specific binding duties.

07 Cooper et al.: LLM reproducibility across GPU architectures

New v1 submission 22 September 2026; NVIDIA Ampere, Ada and Hopper study. Preprint, not enterprise continuity evidence.

08 Anthropic: Introducing Claude Opus 5.5

22 September 2026 vendor announcement; product and integration claims attributed, not independently benchmarked here.

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