Sequence.

Briefing

What good looks like: AI in a regulated firm

Five phases, in order, for boards and executives who want AI to deliver real value without weakening the controls their regulator expects.

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1 Why AI really fails

AI rarely fails because a firm cannot buy the technology. It fails in the gap between what the technology promises and what the business has redesigned, resourced and governed to make it work.

That gap is an operating-model problem, not a procurement one. The demonstration always works; the question is whether the firm has changed the way it operates so the tool is controlled, evidenced and accountable once it is live. The five phases below close that gap, and the order matters, because each depends on the one before it.

2 The five phases

Scope, then Policy, then Infrastructure and data, then Implementation, then Oversight. In order.

Phase	What it involves	Good looks like
1 Scope	Start with the business problem, not the tool: the decision to improve, what it is worth, who owns it, and how it performs today. Ask whether you would design the workflow this way from a blank sheet, and judge how material the use case is.	**A named problem, owner, baseline and value case — before anyone looks at a product.**
2 Policy	An acceptable-use policy: which AI tools, for what, with which data; what is prohibited or escalated; who signs off exceptions. A cross-functional governance group, risk tiers, an AI register, and training that changes behaviour.	**The board can see what AI is in use, how material each use is, and who is accountable.**
3 Infrastructure & data	Identity and multi-factor authentication; permissions audited before rollout; sensitivity labels controlling what AI can see; unapproved tools blocked and data egress monitored; retention rules; logging; and defences against threats such as prompt injection.	**You can show who can access what, which tools are allowed and what they have done — and your data is labelled, current and owned.**
4 Implementation	Proof of value, proof of concept, pilot, then scale — with a stop-or-go decision at each step. Decide build, buy or extend; check suppliers and plan a fallback; clean the data; train people by role, including spotting AI errors; and test against today's process.	**Each stage moves forward on evidence, not enthusiasm.**

Phase	What it involves	Good looks like
5 Oversight	Human review proportionate to impact, with higher-impact decisions referred to a suitably skilled person. Monitoring for drift and error; a clear owner; MI that steers the next decision; and an evidence trail produced as a by-product of running, not reconstructed before an inspection.	**Governance you can evidence continuously — the operating model produces the proof.**

> **The order is the control**
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> Buying the tool before the scope is named, or scaling before the oversight exists, is how firms end up with governance that is described but never engineered. If a phase is skipped, say so, and treat it as a gap, not a detail.

3 How to use this

Run any AI initiative against the five phases and mark, honestly, where "good looks like" is true today and where it is only assumed. The gaps are where the risk, and the unrealised value, sit.

Sequence Advisory helps regulated firms close those gaps: governing complex change when a firm depends on technology providers, consultants and specialists who each know more about their own field than the client does. The method is Brief, Select, Build, Govern — naming the right problem, testing selection and exit, designing the operating model deliberately, and keeping control through implementation.

> **A short, free place to start**
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> The Sequence operating-model and AI readiness diagnostics score your firm against this standard in minutes, at no cost. sequenceadvisory.com

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