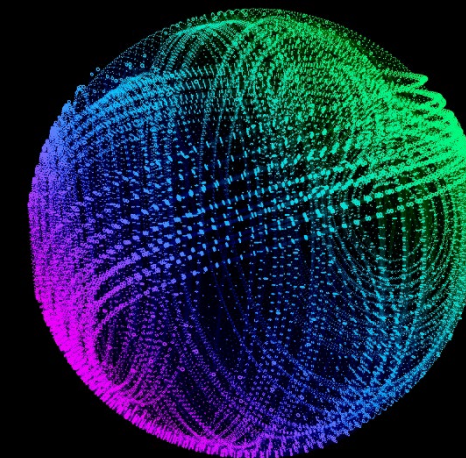




5x5 series: Insights and actions

Insights and actions for AI compliance under foreign entity restrictions

On July 4, 2025 the One Big Beautiful Bill Act (OBBBA) introduced new restrictions on foreign influence within the artificial intelligence (AI) supply chain; targeting “prohibited foreign entities” through broad definitions that encompass foreign debt, contractual rights, minority ownership, and supply chain relationships. These requirements place a heightened emphasis on due diligence, supplier certifications, and risk management processes for organizations leveraging AI technologies¹. As regulatory expectations evolve, organizations must proactively address foreign influence risks to maintain compliance.



5 insights you should know

- Heightened scrutiny over foreign influence on AI supply chain**
Companies pursuing federal AI or clean energy tax credits under the OBBBA should be aware of strict limitations on foreign involvement. The OBBBA adopts an expansive definition of “prohibited foreign involvement” in the AI supply chain. This encompasses not only entities owned or controlled by foreign parties of concern, but also those with significant foreign debt, contractual rights, or other forms of influence, including minority ownership and supply chain relationships.
- Enhanced due diligence for AI-related M&A**
Enhanced due diligence is required within M&A activity, joint ventures, and restructuring involving AI-related acquisitions to support compliance with foreign entity restrictions. This includes assessments of both direct and indirect foreign ownership, significant debt holdings, and contractual rights that could trigger classification as a prohibited foreign entity.
- Certifications for AI-related suppliers and partners**
The OBBBA maintains that organizations must obtain certifications from AI suppliers and joint venture partners confirming that no restricted foreign entity is materially involved in their AI systems. These certifications must be signed under perjury and are subject to federal audit.
- Challenges with reactive management**
Recognizing the challenge of modifying AI systems after they have launched, organizations will need to be proactive to identify any restrictions on AI suppliers during AI development stages.
- Agile and continuous improvement mindset**
As AI regulation continues to evolve, AI compliance programs should be agile and embrace continuous improvements as a core principle. Organizations will need to identify an intake mechanism to evaluate new regulations, determine the impact to downstream processes, and monitoring processes.

5 actions you can take

- AI-focused due diligence procedures**
Assess AI suppliers, partners, and investors to identify any direct or indirect ties to restricted foreign entities. Develop and implement standardized due diligence procedures, including background checks and ownership tracing, to support compliance with OBBBA requirements.
- AI supplier and partnership certification program**
Establish a process to inventory AI suppliers and partners and require them to provide certifications confirming the absence of material involvement by restricted foreign entities. Consider automation for ongoing coordination. Implement additional restrictions on new contracts and third-party agreements.
- Continuous AI regulatory monitoring**
Implement a system for continuous monitoring of AI regulatory updates and new designations of restricted foreign entities. Assign responsibility for tracking changes and promptly updating internal policies and procedures and establish communication protocol of relevant changes to affected teams.
- Ongoing monitoring of compliance activities**
Conduct regular reviews of AI supplier and investor networks for prohibited foreign involvement, as well as of internal controls and processes to support compliance. Maintain records of due diligence, certifications, and compliance decisions accordingly.
- AI compliance governance structure**
Establish a dedicated oversight team or committee responsible for managing AI-related risks and regulations, including those through the OBBBA. Define roles and responsibilities between the oversight function and business teams, establish controls, and implement escalations protocols for violations.

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¹ Source: H.R.1 - 119th Congress (2025-2026): One Big Beautiful Bill Act | [Congress.gov](https://www.congress.gov/bills/119/1) | [Library of Congress](https://www.libraryofcongress.gov/congressional-legislation/119th-congress/house-bills/1)

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