

## AI Risk Executive Brief

### The DeepSeek Event – An AI Risk Wake-Up Call for Boards

The recent market disruption caused by the emergence of DeepSeek<sup>i</sup>, a relatively unknown Chinese AI company, serves as a critical case study illustrating the very real risks outlined in the World Economic Forum (WEF) report on AI<sup>ii</sup>. This event underscores the urgent need for boards to enhance their understanding of and oversight of AI-related risks.

#### The DeepSeek Disruption:

- **Unsubstantiated Claims, Immediate Impact:** DeepSeek, with little public profile or verification of its claims, triggered a significant downturn in US tech stocks. This demonstrates how quickly market perceptions and valuations can be altered by AI-related news, even without concrete evidence. **This highlights the potential for market manipulation and the vulnerability of investor confidence in the AI sector.**
- **Echoes WEF Concerns:** The DeepSeek situation directly reflects the WEF's warnings about the dangers of AI-driven misinformation and disinformation. The speed and impact of the market reaction reveal how easily unverified information can spread and influence financial markets, thus potentially creating systemic risk.

#### Key Risks Amplified by DeepSeek:

- **Market Vulnerability:** The DeepSeek event shows that the market may be overly sensitive to perceived AI breakthroughs. This indicates that current valuations of AI companies may be based on shaky assumptions, leaving them susceptible to sudden corrections.
- **Lack of Transparency:** The limited information available about DeepSeek and its technology underscores the broader issue of a lack of transparency in AI development. **Boards must be aware that a lack of transparency can create opportunities for manipulation and unforeseen risks.**
- **Geopolitical Implications:** The fact that DeepSeek is a Chinese company introduces a geopolitical dimension to the risk landscape. It raises concerns about the potential for AI to be used as a tool of economic competition and underscores the importance of understanding global dynamics in the AI space.

# AI Risk Executive Brief: The DeepSeek Event – An AI Risk Wake-Up Call for Boards

By Ed Odenwalder / Managing Director / [Cyber Assurance](#) / [Assured AI](#)

- **Cybersecurity and Deepfakes:** The DeepSeek event amplifies concerns about the potential for malicious actors to exploit AI to create and disseminate misinformation and deepfakes. This capability, as highlighted in the WEF report, poses a significant threat to corporate reputation and financial stability. Deepfakes can be used to manipulate and defraud individuals and companies, as demonstrated by a real-world incident where a finance worker was deceived into transferring \$25 million.

## Essential Actions for Board Directors:

- **Prioritize AI Literacy:** Boards must ensure they have the expertise to critically assess AI developments and their associated risks. The DeepSeek incident shows that a surface-level understanding is not sufficient. Consider board certifications like the Qualified Technology Expert (QTE) to strengthen the board's capacity to understand and govern complex digital business systems.
- **Strengthen Systemic Risk Oversight:** The interconnectedness of the digital economy means that issues arising in one area can have far-reaching consequences. Boards should use risk oversight frameworks like the Digital Risk Director's DiRECTOR™ to understand and govern complex digital systems, including AI. Risk quantification tools such as those available from X-Analytics create additional context around potential financial impacts.
- **Focus on Transparency and Verification:** Boards should push for greater transparency in AI development and deployment. Demand clear documentation, especially when considering new AI technologies and vendors, and include safety cases as a key part of any governance process.
- **Establish Robust Cybersecurity Protocols:** In an era of AI-driven threats, companies must move beyond traditional cybersecurity to establish dynamic, real-time risk assessments rather than static frameworks. Ensure cybersecurity is a boardroom issue and not just an IT concern.
- **Actively Guide Digital and Cyber Strategies:** Move beyond passive risk oversight to actively drive business resilience and digital growth, proactively influencing digital and cyber strategy.

# AI Risk Executive Brief: The DeepSeek Event – An AI Risk Wake-Up Call for Boards

By Ed Odenwalder / Managing Director / [Cyber Assurance](#) / [Assured AI](#)

- **Ethical AI and Risk Mitigation Frameworks:** Develop clear ethical guidelines and accountability structures for AI deployment, recognizing that seemingly minor biases can have an outsized impact when AI is scaled across the firm.
- **Stay Informed and Adaptable:** Continuously monitor the AI landscape and adjust strategies accordingly, remaining flexible and proactive as technology evolves.

## The Urgency of Action

The DeepSeek event is not an isolated incident; it is a clear indication of the evolving AI risk landscape. Boards that proactively address the potential for AI-driven disruptions and misinformation will be much better positioned to protect their companies and stakeholders. This event should prompt an immediate review of current risk management practices, ensuring they are sufficiently robust and forward-looking.

## Don't let your organization be caught off guard by AI-driven threats!

Follow [@AssuredxAI](#) on X for the latest updates, or contact Cyber Assurance for a strategic consultation: [cyberxassurance.com](https://cyberxassurance.com). Take control of your digital risk management today.

---

<sup>i</sup> [DeepSeek AI & China Tech Stocks Explained." The Wall Street Journal. Accessed January 27, 2025.](#)

<sup>ii</sup> [World Economic Forum & Accenture. \(2025, January\). Artificial Intelligence in Financial Services. White Paper](#)