EU REGULATORY PRESSURE

The Major Driver Of The Multi-Billion-Dollar AI Governance Market

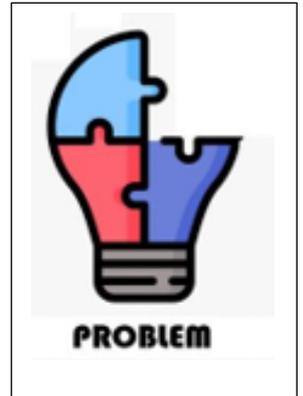**"This regulatory pressure is a major driver of the multi-billion-dollar AI governance tooling market. Enterprises and AI-Platforms will have to comply"**
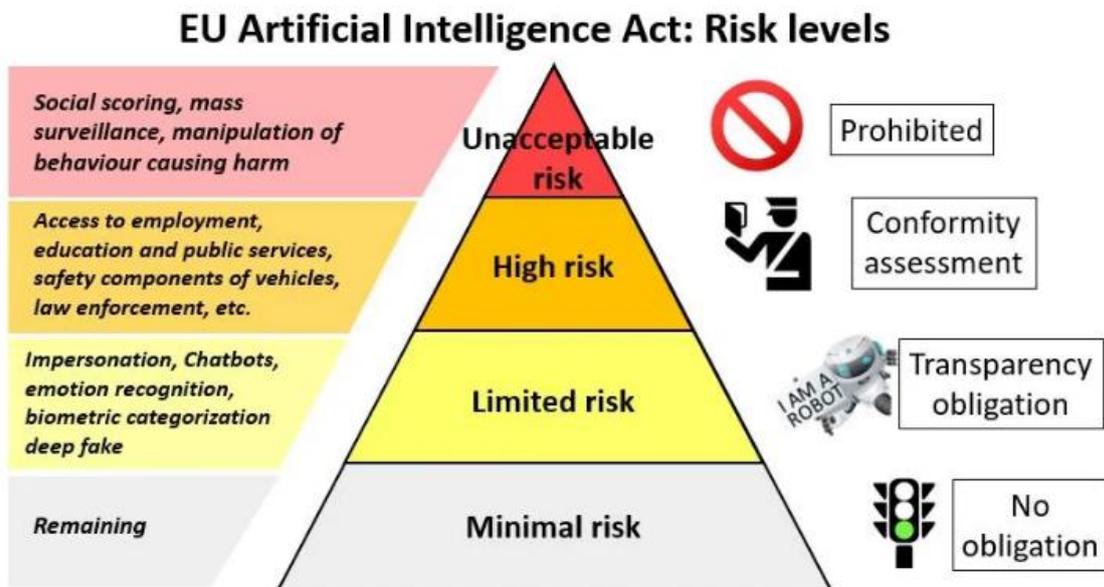
(#¹) *EU AI Act, August 2025*

▼ Reference Note: Key EU AI Act Issues (2025–2027)

Primary Source:

Regulation (EU) 2024/1689 – EU Artificial Intelligence Act (EU AI Act) Official text on EUR-Lex: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32024R1689

Summary:

The EU AI Act is the first comprehensive, risk-based regulatory framework for artificial intelligence. Its obligations roll out in phases from February 2025 through 2027, with governance structures, GPAI rules, and penalties becoming active on 2 August 2025

1. Risk-Based Classification Framework

• Prohibited AI: Social scoring, exploitative systems, emotion recognition in workplaces/schools, predictive policing.
• High-Risk AI: HR, credit scoring, critical infrastructure, law enforcement, migration, education, medical devices, biometric ID.
• Limited-Risk: Chatbots, generative AI, transparency-required systems.
• Minimal-Risk: Most everyday AI tools.

2. High-Risk System Obligations

• Risk-management systems
• High-quality datasets and documentation
• Human oversight
• Accuracy, robustness, cybersecurity
• Logging, auditability, and CE-marking
• Conformity assessments and post-market monitoring

3. General-Purpose AI (GPAI) Requirements

• Technical documentation
• Model transparency
• Systemic-risk monitoring for large models
• Incident reporting
• Copyright-related safeguards
• Cooperation with the EU AI Office

4. Governance & Enforcement (Effective 2 August 2025)

• AI Office becomes operational (GPAI supervision, systemic risk).
• AI Board coordinates Member State enforcement.
• Member States designate market surveillance and notifying authorities.
• Penalties begin applying from this date.

5. Key Dates

• 2 Feb 2025: Prohibited practices + AI literacy obligations.
• 2 Aug 2025: Governance, GPAI rules, penalties.
• 2 Aug 2026: General application of remaining obligations.
• 2027: Full effectiveness (high-risk systems, harmonised standards, codes of practice).

6. Relevance to Enterprise Governance Gap

The Act forces enterprises to implement:

• AI inventories
• Model-level and system-level risk controls
• Documentation and audit trails
• Vendor governance and supply-chain compliance
• Continuous monitoring and incident reporting

"This regulatory pressure is a major driver of the multi-billion-dollar AI governance tooling market."

STRAVIAGROUP

EU AI REGULATIONS
Mapped to the Three-Tiered Guardrail System

✓ FOUNDATIONAL
Non-negotiable standards for All AI

EU-Wide Regulations:

- GDPR (General Data Protection Regulation
- EU AI Act (progressive rollout 2025–2026)
- **Digital Services Act (DSA)**
- **Digital Markets Act (DMA)**
- **EU Cybersecurity Act**
- Data Governance Act
- Data Act

Applies to any AI sysstem operating in or affecting the European market, even if the company is outside the EU.

✓ RISK-BASED
Adjusted by application risk level (EU AI Act)

✗ Unacceptable Risk (BANNED)
- Social scoring
- Cognitive manipulation
- Real-time mass biometric survelliance (except under legal legal exception)

● High Risk (STRICTLY REGULATED)
- AI in hiring and HR
- Banking & financial scoring
- Health & medical devices
- Education & public administation use

Key requirements:
- Risk management system
- Human governance & bias mitigation
- Human oversight
- Logging & traceability

● Limited Risk
- Chatbots
- Generative AI (text, image, voice)

● Obligations:
- Transparency (user must know theyre interacting with AI)

● Synthetic content labeling

● Minimal Risk
- Simple recommenders
- AI in video games
- Spam filters

● No additional obligations

✓ SOCIETAL
Ethics, fairness & transparency

● EU Ethical & Governance Standards
- EU Ethics Guidelines for Trustworthy AI
- Human-in-the-Loop / Human-on-che-Loop
- Diversity & inclusivity bias mitigation
- Non-discrimination & equity
- Accountability & sustisability
- Enveonmental sustainability of AI

Governance isn't friction — it's how you **scale AI safely** in the EU.