



EU REGULATORY PRESSURE

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



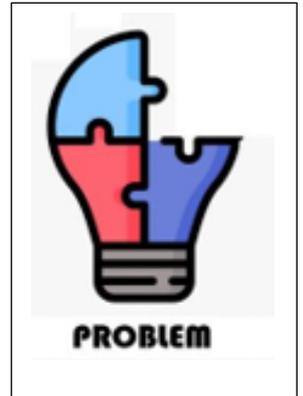
**EU ARTIFICIAL
INTELLIGENCE
ACT**

“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*

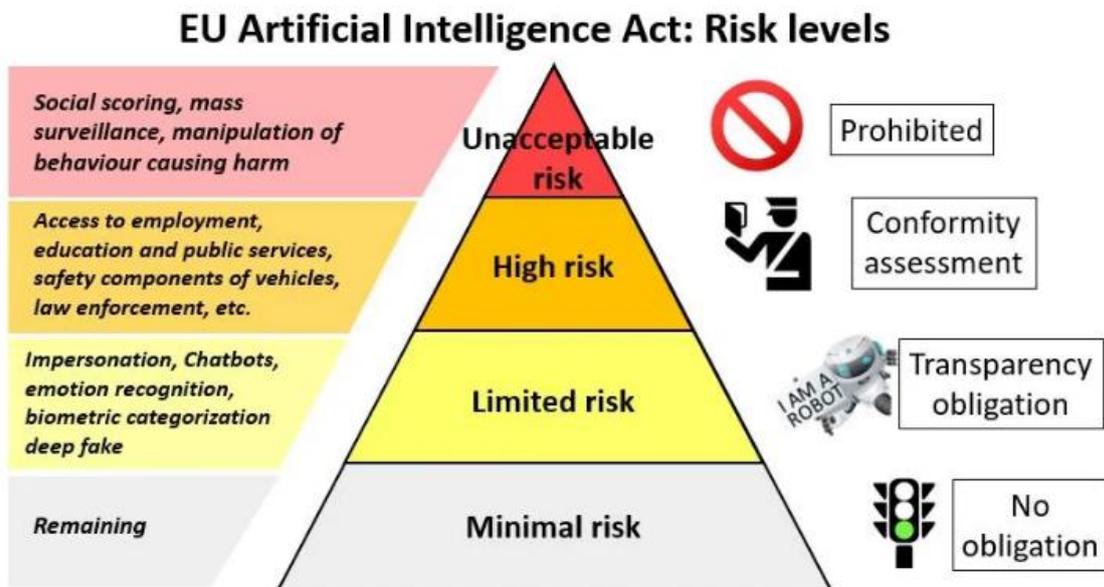
▼ Reference Note: Key EU AI Act Issues (2025–2027)

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.”

The Global AI & Data Privacy Regulatory Map (March 2026) shows how quickly the landscape is evolving:

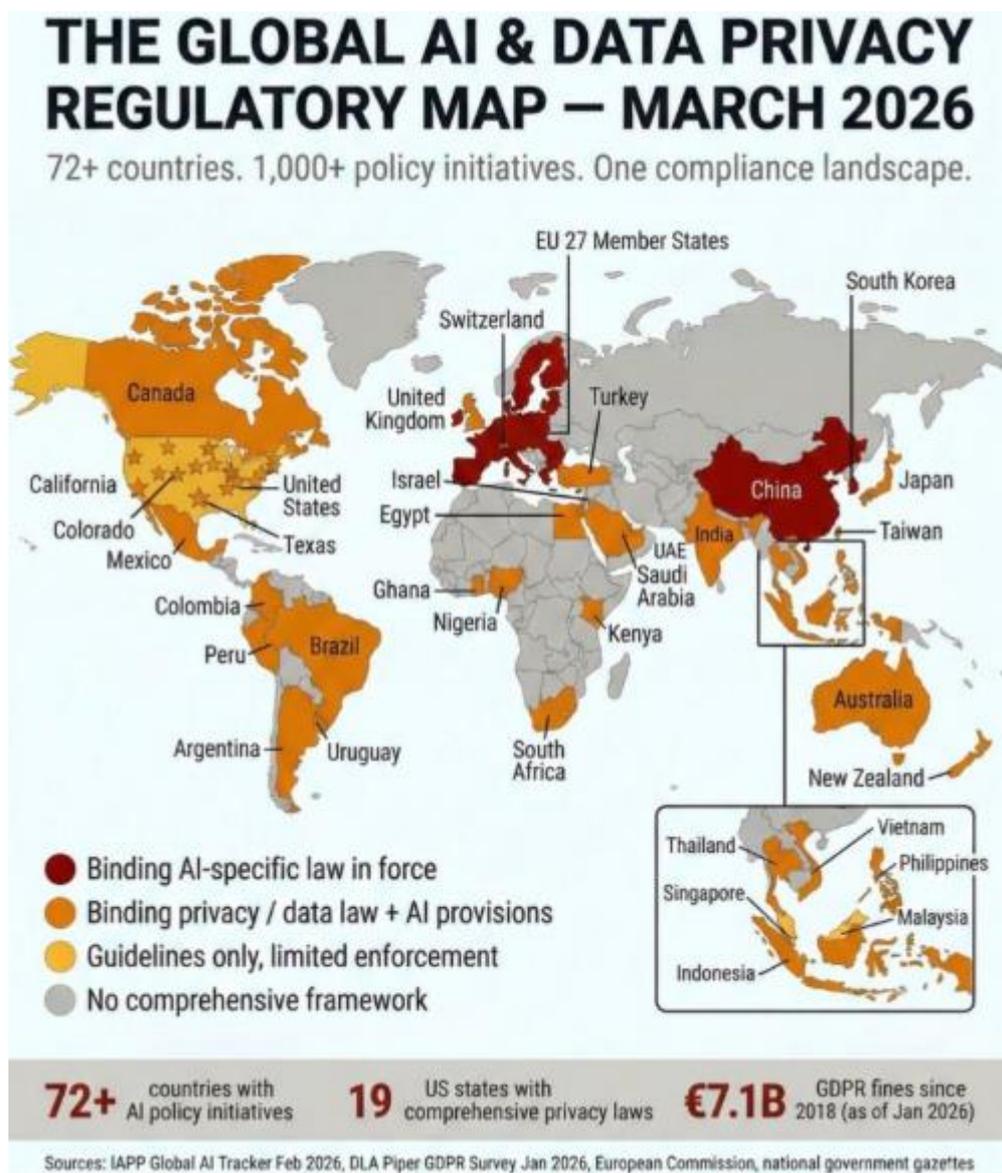
- Binding AI-specific laws emerging in jurisdictions like the EU and China
- Privacy laws expanding to cover AI in countries such as Brazil, Japan, and Australia
- Many regions still relying on guidelines and policy frameworks

A few numbers that stand out:

- 72+ countries with AI policy initiatives
- 1,000+ regulatory measures globally
- 19 U.S. states with comprehensive privacy laws
- €7.1B in GDPR fines since 2018

For legal and compliance teams, the real challenge isn't just AI regulation, it's managing regulatory fragmentation across jurisdictions.

The era of global AI compliance strategy has arrived.



Source: Nicole Julal

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 system 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 surveillance (except under legal exception)

● High Risk (STRICTLY REGULATED)

- AI in hiring and HR
- Banking & financial scoring
- Health & medical devices
- Education & public administration 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 they're 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-the-Loop
- Diversity & inclusivity bias mitigation
- Non-discrimination & equity
- Accountability & sustainability
- Environmental sustainability of AI