



EU REGULATORY PRESSURE

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



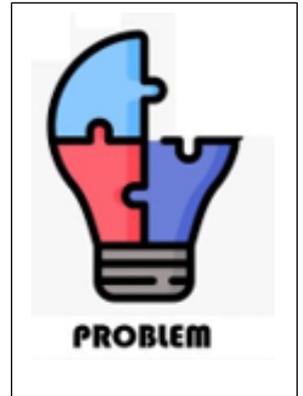
**EU ARTIFICIAL
INTELLIGENCE
ACT**

“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*

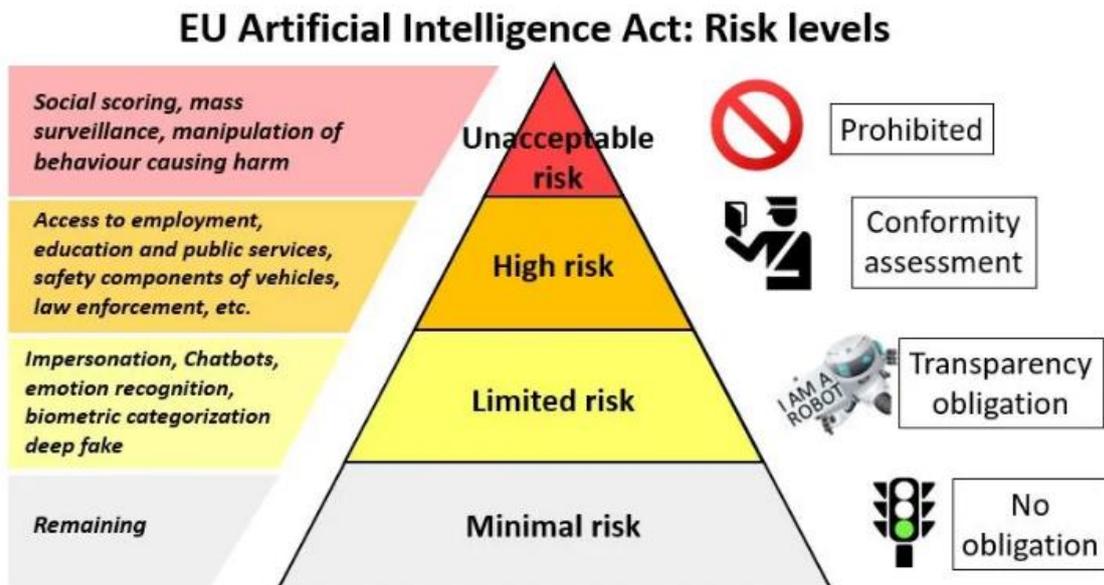
▼ Reference Note: Key EU AI Act Issues (2025–2027)

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

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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