

Political agreement reached on the EU Artificial Intelligence Act

10 December 2023

On Friday, 8 December, the European Union (EU) institutions reached an agreement on the key terms and components of the Artificial Intelligence (AI) Act following months of intense negotiations.

The AI Act is a landmark in global AI regulation, reflecting the EU's objective to lead the way in promoting a comprehensive legislative approach to support the trustworthy and responsible use of AI systems. The AI Act follows other major EU digital legislation, such as the General Data Protection Regulation (GDPR), the Digital Services Act, the Digital Markets Act, the Data Act, and the Cyber Resilience Act.

This paper outlines key elements of this important political agreement and provides an overview of some of the Act's tiered compliance obligations. Some technical aspects of the AI Act text are still subject to finalization.

This paper does not constitute legal advice.

The AI Act will unify how AI is regulated across the single market of the 27 EU Member States. It also has important extraterritorial implications, as it covers *all AI systems impacting people in the EU*, regardless of where systems are developed or deployed.

Compliance obligations are significant, and largely determined by the level of risk the usage of an AI system poses to people's safety, security, or fundamental rights. Obligations apply along the AI value chain. The AI Act applies a tiered compliance framework. Most requirements fall upon the developers and deployers of AI systems classified as "high-risk", and on general-purpose AI systems (including foundation models and generative AI systems) posing "systemic risks".

The agreement currently sets out a phased timeline for enforcement, starting with prohibited AI systems in 2025 and progressively extending to all AI systems by mid to late 2026. There are significant financial penalties for noncompliance.

It is important for business leaders in the EU and beyond to consider the implications of this complex legislation before it comes into effect. This consideration includes understanding how the AI Act interacts with existing and emerging rules and regulations in other jurisdictions, as well as with voluntary AI codes and principles.

Businesses and other organizations should ensure they have an up-to-date inventory of the AI systems that they are developing or deploying. They will need to assess whether their systems are subject to compliance obligations and, if so, under which classification. Developers and deployers of high-risk and general-purpose AI systems will also need to ensure that effective AI governance frameworks and compliance systems are in place.

Key takeaways

Who will the AI Act affect?

- ▶ The AI Act applies to all AI systems impacting people in the EU (whether these AI systems are built and operated from within the EU or from elsewhere). It applies across all sectors.
- ▶ The AI Act imposes different obligations across all actors in the AI value chain.

What are the key features of the AI Act?

- ▶ **Definition of AI:** The AI Act applies a broad definition of an AI system derived from the recently updated Organisation for Economic Co-operation and Development definition (see relevant section below).
- ▶ **Risk-based approach focuses on use cases:** Obligations are primarily based on the level of risk posed by how an AI system is used (or could be used), not the technology on which it is based.
 - ▶ General Purpose AI systems (see definition below) are treated separately due to the breadth of their potential use cases.
- ▶ **Risk classification system:** The AI Act establishes a tiered compliance framework consisting of different categories of risk and different requirements for each such category. All AI systems will need to be inventoried and assessed to determine their risk category and the ensuing responsibilities.
 - ▶ **Prohibited systems:** Systems posing what legislators consider an unacceptable risk to people’s safety, security and fundamental rights will be banned from use in the EU.
 - ▶ **High-risk AI systems:** These systems will carry the majority of compliance obligations (alongside GPAI systems - see below), including the establishment of risk and quality management systems, data governance, human oversight, cybersecurity measures, post-market monitoring, and maintenance of the required technical documentation. (Further obligations may be specified in subsequent AI regulations for healthcare, financial services, automotive, aviation, and other sectors.)
 - ▶ **Minimal risk AI systems:** Beyond the initial risk assessment and some transparency requirements for certain AI systems, the AI Act imposes no additional obligations on these systems but invites companies to commit to codes of conduct on a voluntary basis.
- ▶ **Pre-market conformity assessments for high-risk AI systems:** High-risk systems will require a conformity assessment to evidence their compliance before being placed on the market:
 - ▶ The application of harmonized standards (currently under development, see below) will allow AI system providers to demonstrate compliance by self-assessment.
 - ▶ In limited cases, a third-party conformity assessment performed by an accredited independent assessor (“notified body”) will be required.
- ▶ **General purpose AI systems (GPAI), including foundation models and generative AI:** These advanced models and systems will be regulated through a separate tiered approach, with additional obligations for models posing a “systemic risk”.
- ▶ **Measures to support innovation:** Regulatory “sandboxes” will be made available across the EU for operators (especially small and medium enterprises) to access voluntarily. Here they can innovate, experiment, test, and validate the compliance of their AI systems with the AI Act in a safe environment.
- ▶ **Interaction with other EU laws:** Obligations under the AI Act will need to be integrated into the compliance processes already established to implement existing EU laws, e.g., laws regarding product safety, privacy and financial services.
- ▶ **Enforcement and penalties:** National competent authorities will have enforcement powers with the capacity to impose significant fines depending on the level of noncompliance.
 - ▶ For use of prohibited AI systems, fines may be up to 7% of worldwide annual turnover (revenue), while noncompliance with requirements for high-risk AI systems will be subject to fines of up to 3% of the same.

When will the AI Act take effect?

- ▶ Entry into force is expected between Q2 and Q3 2024, with prohibitions being enforced after six months of that date. Some GPAI obligations may come into force after 12 months, however, the details are still to be officially confirmed. All other obligations will apply after 24 months.

What actions should companies and other organizations take from the outset?

- 1) Inventory all AI systems you have (or potentially will have) developed or deployed and determine whether any of these systems falls within the scope of the AI Act.
- 2) Assess and categorize the in-scope AI systems to determine their risk classification and identify the applicable compliance requirements.
- 3) Understand your organization's position in relevant AI value chains, the associated compliance obligations and how these obligations will be met. Compliance will need to be embedded in all functions responsible for the AI systems along the value chain throughout their lifecycle.
- 4) Consider what other questions, risks (e.g., interaction with other EU or non-EU regulations, including on data privacy), and opportunities (e.g., access to AI Act sandboxes for innovators, small and medium enterprises, and others) the AI Act poses to your organization's operations and strategy.
- 5) Develop and execute a plan to ensure that the appropriate accountability and governance frameworks, risk management and control systems, quality management, monitoring, and documentation are in place when the Act comes into force.

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Context

The AI Act is intended to advance four key objectives:¹

- (i) To ensure that AI systems placed on the EU market are safe and respect existing EU law
- (ii) To ensure legal certainty to facilitate investment and innovation in AI
- (iii) To enhance governance and effective enforcement of EU law on fundamental rights and safety requirements applicable to AI systems
- (iv) To facilitate the development of a single market for lawful, safe and trustworthy AI applications, and prevent market fragmentation

Who is affected?

The AI Act is broad in scope and comes with significant obligations along the value chain. It focuses on the impact of AI systems on people, specifically on their wellbeing and fundamental rights.

It also contains extraterritorial measures, affecting any business or organization that offers an AI system impacting people within the EU, regardless of where the organization is headquartered.

The AI Act will apply to (please see the appendix section below for full definitions of terms):

- ▶ Providers putting AI systems on the market within the EU, regardless of their location
- ▶ Providers and deployers of AI systems located in a non-EU country, where the output of the AI system is used within the EU
- ▶ Deployers of AI systems located in the EU
- ▶ Importers and distributors placing AI systems on the EU market
- ▶ Product manufacturers placing products with AI systems on the EU market under their own name or trademark

The AI Act will **not** apply to:

- ▶ Public authorities in non-EU countries and international organizations that have law enforcement and judicial cooperation agreements with the EU, provided that adequate safeguards are in place
- ▶ AI systems used for purposes outside the scope of EU law-making authority, such as military or defense
- ▶ AI systems specifically developed and used for the sole purpose of scientific research and discovery
- ▶ Research, testing and development activity regarding AI systems prior to placement on the market or into service
- ▶ Free and open-source software, unless their use would classify them as a prohibited or high-risk AI system

¹ “EU AI Act Proposal, 2021 - Explanatory Memorandum”, European Commission, April 2021 <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021PC0206>

When will the AI Act be implemented?

The AI Act is expected to be approved by the European Parliament and Council, and published in the Official Journal at some point during calendar Q2 or Q3 of 2024, after which it will come into force. As an EU regulation (as opposed to a directive), it will therefore be directly effective in Member States without the need for local enabling legislation. The timeline for compliance with the provisions of the AI Act will be as follows:

Timeframe	Development
Calendar Q2-Q3 2024	Expected entry into force.
Immediately after entry into force Q2-Q3 2024	The European Commission will begin work to establish the AI Office (EU oversight body) while Member States make provisions to establish AI regulatory sandboxes.
During the implementation period	The European Commission will launch the AI Pact, allowing organizations to work voluntarily with the Commission to start to meet AI Act obligations ahead of the legal deadlines (see relevant section below regarding the AI Pact).
Six months after entry into force Q4 2024-Q1 2025	Prohibitions will come into effect.
12 months after entry into force Q2-Q3 2025 (tbc)	Some requirements for GPAI models may come into effect (details of which remain to be officially confirmed).
24 months after entry into force Q2-Q3 2026	All other AI Act requirements will come into effect (e.g., those for high-risk AI systems).

How does the EU define an AI system?

The exact definition of an “AI system” in the AI Act has not yet been made publicly available. However, it is confirmed to be derived from the recently updated definition used by the Organisation for Economic Co-operation and Development (OECD). The objective in using the OECD definition is to provide a basis for international alignment and continuity with other laws and codes. The OECD definition defines an AI system as follows:²

- *An AI system is a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments. Different AI systems vary in their levels of autonomy and adaptiveness after deployment.*

How are AI systems classified?

The AI Act sets compliance obligations based on the inherent risks that arise from the application for which AI systems are used.

General-purpose AI systems (GPAI), including foundation models and generative AI systems, follow a separate classification framework. Please see the relevant section below.

² AI Principles, Organisation for Economic Co-operation and Development, 2023, <https://oecd.ai/en/ai-principles> accessed 10 December 2023

AI systems can be classified as follows:

Classification (Risk-based tier)	Description	Compliance level	Use case examples (see sections below for fuller details)
Prohibited AI systems	Prohibited because uses pose an unacceptable risk to the safety, security and fundamental rights of people.	Prohibition	Includes use of AI for social scoring which could lead to detrimental treatment, emotional recognition systems in the workplace, biometric categorization to infer sensitive data, and predictive policing of individuals, among other uses. Some exemptions will apply.
High-risk AI systems	Permitted , subject to compliance with the requirements of the AI Act (including conformity assessments before being placed on the market).	Significant	Includes use of AI in recruitment , biometric identification surveillance systems, safety components (e.g., medical devices, automotive), access to essential private and public services (e.g., creditworthiness , benefits , health and life insurance), and safety of critical infrastructure (e.g., energy, transport).
Minimal risk AI systems	Permitted , subject to specific transparency and disclosure obligations where uses pose a limited risk.	Limited	Certain AI systems that interact directly with people (e.g., chatbots), and visual or audio " deepfake " content that has been manipulated by an AI system.
	Permitted , with no additional AI Act requirements where uses pose minimal risk.	Minimal	By default, all other AI systems that do not fall into the above categories (e.g., photo-editing software, product-recommender systems, spam filtering software, scheduling software)

Prohibited systems: which use cases pose an unacceptable risk?

The AI Act prohibits AI systems that pose unacceptable risks and that can be used to undermine a person's fundamental rights, or that may subject them to physical or psychological harm. These prohibitions include:

- ▶ AI systems that exploit vulnerabilities, or deploy subliminal techniques, to manipulate a person or a specific group (e.g., children, the elderly or people with disabilities), circumventing the users' free will in a manner likely to cause harm.
- ▶ AI systems used for the social scoring, evaluation, or classification of people based on their social behavior, inferred or predicted, or personal characteristics, leading to detrimental treatment.
- ▶ AI systems used to infer emotions of people in the workplace (such as human resource functions) and educational institutions (although with exemptions for safety systems).
- ▶ Biometric categorization to infer sensitive data, such as race, sexual orientation, or religious beliefs.
- ▶ Indiscriminate and untargeted scraping of facial images from the internet or CCTV to populate facial recognition databases.
- ▶ Predictive policing of individuals, defined as predicting individual behavior such as individual likelihood of offense or re-offense.

- ▶ Law enforcement use of real-time remote biometric identification (RBI) systems in publicly accessible spaces (certain exceptions apply – see below)

Law enforcement exemptions

Exceptions exist for the use of RBI systems in publicly accessible spaces for law enforcement purposes, subject to prior judicial authorization and for strictly defined lists of criminal offenses.

High-risk systems: which use cases are subject to conformity assessments and obligations?

The AI Act identifies high-risk uses in Annex II and Annex III. The European Commission is empowered to update these annexes as new uses and risks are identified. The following high-risk uses are currently listed:

- ▶ AI systems used as a safety component of a product covered by EU harmonization legislation, including but not limited to:³
 - ▶ Machinery
 - ▶ Toys
 - ▶ Medical devices
 - ▶ Civil aviation
 - ▶ Marine equipment
 - ▶ Motor vehicles
 - ▶ Agricultural vehicles
 - ▶ Railway interoperability
- ▶ AI systems applied in uses that pose a significant risk of harm to health, safety, or fundamental rights:⁴
 - ▶ Biometric identification and categorization of people
 - ▶ Management and operation of critical infrastructure (specifically, safety components of traffic, water, gas, heating, and electricity infrastructure)
 - ▶ Education and vocational training (specifically, systems determining access to education and assessment of students)
 - ▶ Employment, worker management and access to self-employment (including recruitment and performance monitoring)
 - ▶ Access to and enjoyment of essential private and public services and benefits (including eligibility for benefits, evaluating creditworthiness, and pricing of life and health insurance)
 - ▶ Law enforcement uses such as data analytics systems to assess evidence of criminal activity, such as financial fraud detection systems
 - ▶ Migration, asylum, and border control management (including monitoring of migration trends, border surveillance, verification of travel documents, and examination of applications for visas, asylum, and residence permits)
 - ▶ Administration of justice and democratic processes (including researching and interpreting the law)

Exceptions to high-risk classification:

However, an AI system will not be considered high-risk if it:

- ▶ Performs a narrow procedural task with no direct safety or security implications

³ Annex II, List of Union harmonisation legislation, EU Artificial Intelligence Act Proposal, Version for Trilogue on 24 October 2023

⁴ Annex III, High-risk AI systems referred to in Article 6(2), EU Artificial Intelligence Act Proposal, Version for Trilogue on 24 October 2023

- ▶ Is meant to review or improve the quality of human output
- ▶ Is used to detect decision-making patterns (or deviations from existing patterns to flag inconsistencies) without influencing decisions

What are the obligations for providers of high-risk AI systems?

General obligations

Requirements for high-risk AI systems include:

- ▶ Establishing and maintaining appropriate AI **risk and quality management systems**
- ▶ Effective **data governance**
- ▶ Maintaining appropriate **technical documentation and record-keeping**
- ▶ **Transparency** and provision of information to users
- ▶ Enabling and conducting **human oversight**
- ▶ Compliance with standards for **accuracy, robustness, and cybersecurity** for the intended purpose
- ▶ **Registering high-risk AI systems on the EU database** before placing them on the market; systems used for law enforcement, migration, asylum and border control, and critical infrastructure will be registered in a non-public section of the database

Pre-market conformity assessment for high-risk systems

Providers must perform a conformity assessment on the high-risk AI system before placing it on the market:

- ▶ The conformity assessment should examine whether the requirements laid out above have been met.

In most cases, **providers can self-assess** if:

- ▶ They apply procedures and methodologies that follow EU approved technical standards (harmonized standards)
- ▶ Application of the standards allows a presumption of conformity

A **third-party conformity assessment** by an accredited body is required if any of the following criteria apply:

- ▶ The AI system is part of a safety component subject to third-party assessment under sectoral regulations
- ▶ The AI system is part of a biometric identification system
- ▶ Harmonized standards are not used

Post-market obligations

Once a high-risk AI system has been placed on the market, providers continue to have obligations to ensure ongoing safe performance and conformity over the system's lifecycle. These include:

- ▶ **Maintaining logs** generated by high-risk systems, to the extent that they are under their control, for a period of at least six months
- ▶ **Immediately taking the necessary corrective actions** for nonconforming systems already on the market and informing other operators in the value chain of the nonconforming systems
- ▶ **Cooperating with the national competent authorities or the AI Office** (see relevant section below) by sharing all the information and documentation necessary to show conformity upon receiving a reasonable request

- ▶ **Monitoring performance and safety** of AI systems throughout their lifetime and actively evaluating continuous compliance with the AI Act
- ▶ **Reporting to the appropriate authorities, serious incidents** and malfunctions that lead to breaches of fundamental rights
- ▶ **Undergoing new conformity assessments for substantial modifications** (e.g., changes to a system's intended purpose or changes that affect how it meets regulations):
 - ▶ This applies whether the changes are made by the original provider or any third party.
 - ▶ For AI systems that are considered to have limited or minimal risk, it will be important to check whether the original risk classification still applies after any changes.

What are the obligations for deployers, importers and distributors of high-risk AI systems?

Obligations of deployers of high-risk AI systems include:

- ▶ Completing a fundamental rights impact assessments (FRIA) before putting the AI system in use
 - ▶ This applies to public bodies and private entities providing services of general interest (including banks, insurers, hospitals, schools, which are deploying high-risk systems).
- ▶ Implementing human oversight by people with the appropriate training and competence
- ▶ Ensuring that input data is relevant to the use of the system
- ▶ Suspending the use of the system if it poses a risk at a national level
- ▶ Informing the AI system provider of any serious incidents
- ▶ Retaining the automatically-generated system logs
- ▶ Complying with the relevant registration requirements when the user is a public authority
- ▶ Complying with GDPR obligations to perform a data protection impact assessment
- ▶ Verifying the AI system is compliant with the AI Act and that all relevant documentation is evidenced
- ▶ Informing people, they might be subject to the use of high-risk AI

Before placing a high-risk AI system on the market, it is the responsibility of importers and distributors to:

- ▶ Verify that the system complies with the AI Act, ensure that all relevant documentation is evidenced, and communicate with the provider and market surveillance authorities accordingly.

Minimal-risk systems: what obligations apply?

For some specific AI systems, limited transparency obligations apply.

Providers must:

- ▶ Design and develop systems in a way to make certain that people understand that they are interacting with an AI system from the outset (e.g., chatbots)

Deployers must:

- ▶ Inform and obtain the consent of people exposed to permitted emotion recognition or biometric categorization systems.
- ▶ Disclose and clearly label where visual or audio "deep fake" content has been manipulated by AI.

How will general-purpose AI be regulated?

The final definition in the AI Act of general-purpose AI (GPAI) models has not yet been made available. The recent publicly available (proposed) definition, which may have been amended as part of the political agreement is:⁵

- ▶ *‘General-purpose AI model’ means an AI model, including when trained with a large amount of data using self-supervision at scale, that displays significant generality and is capable to competently perform a wide range of distinct tasks regardless of the way the model is released on the market and that can be integrated into a variety of downstream systems or applications.*

The AI Act adopts a tiered approach to compliance obligations, **differentiating between high-impact GPAI models with systemic risk and other GPAI models.**

Tier	Description	Compliance level
Base-level tier	Models meeting the GPAI definition	Limited transparency obligations
Systemic risk tier	High-impact GPAI models posing a systemic risk are provisionally identified based on cumulative amount of computing power used for training (with power greater than 10^{25} floating point operations [FLOPs])	Significant obligations

Providers of all GPAI models will be required to:

- ▶ Keep and maintain up-to-date technical documentation.
- ▶ Make information available to downstream providers who intend to integrate the GPAI model into their AI systems.
- ▶ Respect EU copyright law.
- ▶ Disseminate detailed summaries about the content used for training.

In addition, providers of high-impact GPAI models posing a systemic risk must:

- ▶ Perform model evaluations.
- ▶ Assess and mitigate systemic risks.
- ▶ Document and report to the European Commission any serious incidents and the corrective action taken.
- ▶ Conduct adversarial training of the model (i.e., “red-teaming”).
- ▶ Ensure that an adequate level of both cybersecurity and physical protections are in place.
- ▶ Document and report the estimated energy consumption of the model.

To provide agility for adapting to rapid GPAI technology developments, the AI Office (see relevant section below) will:

- ▶ Update the designation criteria for high-impact GPAI, with possible inclusion of criteria related to the number of model parameters, quality or size of datasets, number of registered business or end users.
- ▶ Facilitate the formulation of codes of practice to support the application of the compliance requirements.

⁵ Compromise proposal on general purpose AI models/general purpose AI systems, European Commission, 6 December 2023

How will the AI Act interact with existing legislation and standards?

- ▶ AI providers must continue to adhere to all relevant EU laws while incorporating requirements of the AI Act.
- ▶ Providers can combine AI Act compliance with existing procedures to avoid duplication and ease the compliance workload.
- ▶ Where applicable, the AI Act should be embedded into relevant EU laws (e.g., financial services regulations). Sectoral regulators will be designated as the relevant competent authorities to supervise the enforcement of the AI Act for their sector.

How will new standards be developed and when will they be ready?

To reduce compliance burdens and speed up time-to-market, the AI Act allows for compliance self-assessment, provided the obligations are met using European Commission-approved industry best practices as formalized in “harmonized standards”.

- ▶ The European Commission has issued a “standardization request” to the European standards bodies (CEN and CENELEC), listing a series of topics for which new harmonized standards are required to cover the compliance obligations in the AI Act (see section on pre-market obligations of high-risk AI systems above).
- ▶ The European standardization bodies aim to have standards available in time for implementation of the AI Act in accordance with the agreed timelines (see above), but their readiness is not guaranteed.
- ▶ Where possible the European standardization bodies will seek to adopt standards created by the international standards bodies (ISO and IEC), with minimal modification.

How does the AI Act aim to support AI innovation in the EU?

AI regulatory sandboxes

The AI Act mandates the establishment of AI regulatory sandboxes to offer innovation support across the EU.

- ▶ These regulatory sandboxes are **controlled environments** in which providers and deployers (e.g., small and medium enterprises) can voluntarily experiment, test, train, and validate their systems under regulatory supervision before placing them on the market.
- ▶ Each Member State will be expected to create or join a sandbox with common rules for consistent use across the EU.
- ▶ AI system providers will be able to receive a written report about their sandbox activities as evidence that they have met AI Act requirements. This is intended to speed up the approval process to take AI systems to market.

Real-world testing

Testing of AI systems in real-world conditions outside of AI regulatory sandboxes may be conducted by providers or prospective providers of the high-risk AI systems listed in Annex III of the AI Act (see above), at any time before being placed on the market, if the following conditions are met:

- ▶ A testing plan has been submitted to, and approved by the market surveillance authorities
- ▶ The provider is established in the EU
- ▶ Data protection rules are observed
- ▶ Testing does not last longer than necessary and no more than six months (with the option to extend by an additional six months)

- ▶ End users have been informed, given their consent and have been provided with relevant instructions
- ▶ The predictions, recommendations and decisions of the AI system can be effectively reversed or disregarded

What will the regulatory oversight model for the AI Act look like?

National competent authorities will be given oversight powers in Member States. These are likely to take different forms depending on the Member State.

At an EU level, the AI Act governance framework also establishes the:

- ▶ **AI Office** within the EU Commission, but with functional independence
 - ▶ This new body will have oversight responsibilities for GPAI models. It will contribute to the development of standards and testing practices, coordinate with the national competent authorities and help enforce the rules in Member States
- ▶ **AI Board** representing the Member States to provide strategic oversight for the AI Office
 - ▶ The Board will support the implementation of the AI Act and regulations promulgated pursuant to it, including the design of codes of practice for GPAI models
- ▶ **Scientific panel of independent experts** to support the activities of the AI Office
 - ▶ The panel will contribute to the development of methodologies for evaluating the capabilities of GPAI models and their subsequent classification, while also monitoring possible safety risks
- ▶ **Advisory forum** with representatives of industry and civil society
 - ▶ Will provide technical expertise to the AI Board

What are the penalties for noncompliance?

The AI Act sets out a strict enforcement regime for noncompliance.

There are three notional levels of noncompliance, each with significant financial penalties. Depending on the level of violation (in line with the risk-based approach), the Act applies the following penalties:

Noncompliance case	Proposed fine
Breach of AI Act prohibitions	Fines up to €35 million or 7% of total worldwide annual turnover (revenue), whichever is higher
Noncompliance with the obligations set out for providers of high-risk AI systems, authorized representatives, importers, distributors, users or notified bodies	Fines up to €15 million or 3% of total worldwide annual turnover (revenue), whichever is higher
Supply of incorrect or misleading information to the notified bodies or national competent authorities in reply to a request	Fines up to €7.5 million or 1.5% of total worldwide annual turnover (revenue), whichever is higher

In the case of small and medium enterprises, fines will be as described above, but whichever amount is lower.

National competent authorities will determine the fines in line with the guidance provided above.

What are the next steps around and beyond the AI Act?

The EU AI Act next steps:

Officials from the EU institutions will continue to refine any outstanding technical details over the coming weeks. Once a final text is agreed, it will be put to the European Parliament and Council for approval in the first half of 2024.

Once the approved text is translated into the official languages of the EU, it will be published in the Official Journal. The AI Act will come into force 20 days after publication and the implementation period shall begin.

International alignment:

At an international level, the European Commission and other EU institutions will continue to work with multi-national organizations including the Council of Europe, the U.S.-EU Trade and Technology Council (TTC), the G7, the OECD, the G20, and the UN to promote the development and adoption of rules beyond the EU that are compatible with the requirements of the AI Act.

The EU AI Pact

The European Commission is initiating the [AI Pact](#), which seeks the voluntary commitment of industry to start implementing the requirements of the AI Act ahead of the legal deadline:

- ▶ Commitments will take the form of pledges that will be published by the EU Commission.
 - ▶ The AI Pact will convene key EU and non-EU industry actors to exchange best practices.
 - ▶ Interested parties will meet in the first half of 2024 to collect ideas and best practices that could inspire future pledges.
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Appendix

AI Act term	AI Act definition
Provider	A natural or legal person, public authority, agency, or other body that is or has developed an AI system to place on the market, or to put into service under its own name or trademark.
Deployer	A natural or legal person, public authority, agency, or other body using an AI system under its authority.
Authorized representative	Any natural or legal person located or established in the EU who has received and accepted a mandate from a provider to carry out its obligations on its behalf .
Importer	Any natural or legal person within the EU that places on the market or puts into service an AI system that bears the name or trademark of a natural or legal person established outside the EU.
Distributor	Any natural or legal person in the supply chain, not being the provider or importer, who makes an AI system available in the EU market .
Product manufacturer	A manufacturer of an AI system that is put on the market or a manufacturer that puts into service an AI system together with its product and under its own name or trademark.
Operator	A general term referring to all the terms above (provider, deployer, authorized representative, importer, distributor, or product manufacturer).