



AI ACT, EASILY EXPLAINED

What is the AI Act?

On July 12, 2024, the European Union's Artificial Intelligence Act, Regulation (EU) 2024/1689 (EU AI Act) was published in the Official Journal of the European Union.

The AI Act is a legislative framework that seeks to establish clear guidelines and standards for the development, deployment, and use of AI systems across the European Union. The primary objectives of this regulation are to promote innovation, protect fundamental rights, and build trust in AI systems among users and stakeholders. By setting out stringent requirements and obligations, the AI Act aims to mitigate risks associated with AI technologies while fostering a conducive environment for technological advancement and ethical use.

Scope and Definitions

The AI Act applies to a broad range of stakeholders, including providers, users, and importers of AI systems within the EU, as well as entities outside the EU whose AI systems impact individuals within the Union. The regulation adopts an expansive definition of AI, encompassing a wide variety of technologies such as machine learning, neural networks, expert systems, and other algorithm-based solutions. This comprehensive approach ensures that the regulation remains relevant and effective in addressing the diverse applications of AI technologies.



Risk-Based Classification

One of the most significant aspects of the AI Act is its risk-based classification of AI systems. The regulation categorizes AI applications into four distinct risk levels: unacceptable risk, high risk, limited risk, and minimal risk.

AI systems that fall under the category of unacceptable risk are those that pose a threat to safety, livelihoods, or fundamental rights. Such applications are outright banned under the regulation. Examples of unacceptable risk AI include social scoring systems used by governments, which can lead to discriminatory practices and infringements on individual freedoms.

High-risk AI systems are those used in critical sectors such as healthcare, transportation, and finance. These systems are subject to stringent requirements to ensure their safety, reliability, and ethical use. Providers of high-risk AI systems must implement robust risk management frameworks, use high-quality datasets to ensure accuracy and fairness, and maintain comprehensive documentation to demonstrate compliance.

Limited risk AI systems are those that present lower risks but still require certain transparency obligations. For instance, chatbots must disclose their non-human nature to users. This ensures that users are aware they are interacting with an AI system and can make informed decisions based on this knowledge.

Minimal risk AI systems, such as spam filters, are largely exempt from the regulation. However, providers are still encouraged to adhere to best practices and ethical guidelines to maintain trust and transparency.

Requirements for High-Risk AI Systems

High-risk AI systems are subject to a rigorous set of requirements designed to ensure their safety, transparency, and ethical use. Providers must implement a comprehensive risk management system to continuously evaluate and mitigate potential risks associated with their AI systems. This involves conducting regular assessments, monitoring the system's performance, and taking corrective actions when necessary.

Data governance is another critical requirement for high-risk AI systems. Providers must ensure that their AI systems are trained on high-quality datasets that are representative, accurate, and free from biases. This helps to prevent discriminatory outcomes and ensures that the AI system performs reliably across different contexts and populations.

Transparency and documentation are also crucial for high-risk AI systems. Providers must maintain detailed documentation that outlines the AI system's design, capabilities, limitations, and intended uses. This information must be made available to regulatory authorities and, where applicable, to users. Clear and comprehensive documentation helps to build trust and enables stakeholders to understand the AI system's functioning and potential impacts.



Human oversight is an essential component of the AI Act's requirements for high-risk AI systems. Providers must establish mechanisms to ensure that human operators can effectively monitor and control the AI system. This includes the ability to intervene in the system's operation when necessary to prevent harmful outcomes. Human oversight helps to ensure that AI systems are used responsibly and that their actions align with ethical and legal standards.

Transparency Obligations

Transparency is a cornerstone of the AI Act, and the regulation imposes specific obligations to ensure that users are informed when interacting with AI systems. Providers must clearly disclose when users are engaging with an AI system, especially if the system influences their decisions or perceptions. This transparency requirement is crucial in maintaining trust and enabling users to make informed choices.

Furthermore, AI systems that generate deepfakes or synthetic media must disclose their artificial nature. This helps to prevent misinformation and ensures that users are aware of the AI system's capabilities and limitations. Transparency in AI systems fosters accountability and helps to prevent deceptive practices that could undermine public trust in AI technologies.

Compliance and Enforcement

The AI Act establishes a robust framework for compliance and enforcement, with the European Artificial Intelligence Board (EAIB) overseeing the implementation of the regulation. The EAIB is responsible for monitoring compliance, conducting audits, and taking enforcement actions against non-compliant entities. This centralized oversight ensures consistency and effectiveness in the regulation's application across the EU.

Non-compliance with the AI Act can result in significant penalties. Providers who fail to meet the regulation's requirements can face fines of up to 6% of their global annual turnover. This stringent enforcement mechanism underscores the importance of compliance and encourages providers to adhere to the highest standards of safety, transparency, and ethical use.



Considerations for Businesses

As the AI Act introduces comprehensive requirements for the use of AI systems, businesses must take proactive steps to ensure compliance. The first step is to assess their AI systems and determine their risk classification. High-risk AI systems, in particular, will require significant adjustments to meet the regulation's stringent requirements.

Businesses must also focus on enhancing transparency and documentation. Keeping detailed records of the AI system's design, capabilities, and limitations is essential for demonstrating compliance and building trust with users and regulatory authorities. Ensuring transparency in AI interactions, particularly in disclosing the non-human nature of AI systems, is crucial in maintaining user trust and preventing deceptive practices.

Moreover, businesses should prioritize the ethical use of AI. Beyond mere compliance, fostering ethical practices in AI development and deployment can provide a competitive advantage. By demonstrating a commitment to ethical AI, businesses can build a positive reputation and gain the trust of customers, partners, and stakeholders.

Conclusion

The AI Act represents a significant milestone in the regulation of AI technologies, balancing the need for innovation with the imperative to protect fundamental rights and ensure ethical use. By understanding and complying with this new regulation, businesses can not only avoid penalties but also gain a competitive edge by fostering trust and reliability in their AI systems.

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