

# The Artificial Intelligence Act (AI Act)

The world's first comprehensive AI law.



## When will the AI Act be applicable?

The final adoption of the AI Act is expected by end of 2023.

As of today, it is expected that the AI Act will be fully applicable in Q1 2026.



## Will the AI Act affect my business?

**Most likely, yes.** The current scope of the AI Act is very broad. Thus, it is expected that most companies will be required to have some sort of AI strategy.

## What is the AI Act?

The AI Act is the world's first comprehensive AI law applicable for the EU market. The AI Act will give (i) providers, (ii) users, (iii) importers, (iv) distributors of AI systems (collectively "AI Operators") and (v) persons affected by AI systems a **single rulebook for the European AI market.**



## When is the right time to start preparations?

The right time to start preparations for AI compliance depends on a number of factors, e.g., (i) your industry (i.e., data-driven or non-data-driven), (ii) the size of your business, (iii) current data handling practices in your business, (iv) which AI systems you are using and (v) available expertise and many more.

We see that large, data-driven companies are already preparing for compliance with the AI Act.

## Key facts about the AI Act



### Affected Parties

The AI Act should primarily apply (i) to **providers** of AI systems established within the EU or in a third country placing AI systems on the EU market or putting them into service in the EU as well as to (ii) **users** of AI systems located in the EU.



### No circumvention of rules

To prevent circumvention of the regulation, the AI Act would also apply to providers and users of AI systems located in a third country where the output produced by those systems is used in the EU.



### Goals

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



### Risk-based approach

The AI Act follows a risk-based approach whereby legal intervention is tailored to the concrete level of risk. To that end, the draft AI Act distinguishes between AI systems posing (i) unacceptable risk, (ii) high risk, (iii) limited risk and (iv) low or minimal risk while introducing a category of "high-impact general-purpose AI models". AI applications would be regulated only as strictly necessary to address specific levels of risk.



# When played right, the AI Act brings huge opportunities



## Competitive advantage

Demonstrating compliance with the AI Act early on can set your business apart from competitors. Developing policies and a technological setup in compliance with the AI Act will likely create a robust setup that can be applied on an international scale.



## Increased trust and customer confidence

Early compliance signals your commitment to safeguarding consumer interests, data privacy, and ethical AI use. This fosters trust and confidence among your customers, leading to increased loyalty and repeat business.



## Monetize your competitive advantage

Early compliance with the AI Act and supplementing acts (e.g. Data Act) will not only increase trust in your services, but also allow you to monetize data otherwise not used.



## Avoid penalties

Early compliance reduces the risks of severe penalties to be imposed on your business. Fines can be as high as €35 million or 7% of global annual turnover for violations of the banned AI applications, €15 million or 3% for violations of the AI Act's obligations and €7,5 million or 1,5% for the supply of incorrect information.



## Effective and reliable rulebook

Comprehensive legislation brings more predictability. EU authorities will have a precise rulebook to operate under. This is currently missing for many other authorities, leaving more room for changes in administrative practice and unexpected decision making.



## Early learning and improvement

Early compliance requires a deeper understanding of the AI Act's requirements, potential challenges and best practices. This learning experience enables your organization to make improvements that could lead to better AI implementations.

## How can we support you to create your competitive advantage?

The AI Act will create a unique opportunity to enter the EU AI market for AI players. Early compliance with the AI Act as well as accompanying regulations will create a competitive advantage for early adopters. Our mission is to help businesses embrace the opportunities presented by AI systems while ensuring ethical practices and compliance with the AI Act.

We can provide you with all-round support:

### AI impact analysis

Understand the potential impact of AI deployment on your business and the wider community with our detailed impact assessment reports.

### AI compliance assessment

Assessment of your business model under the AI Act and other supervisory laws to identify and eliminate showstoppers (e.g., by using an AI Act risk metric).

### AI ethics

Support in answering the following questions based on an operative framework: What is AI allowed to do and what is AI not allowed to do in my company? Where is the ethical/moral limit?

### AI operations

Setting up an operational concept for AI use cases to tackle quality assurance, retraining, monitoring, etc.

### AI strategy

Development and implementation of an AI Act strategy tailored to your business model to implement AI Act requirements and policies to operate with maximized effectiveness.

### Policy and framework development

Assistance in developing robust AI policies and frameworks tailored to your business, promoting transparency, fairness and accountability.

### Risk management

Identify and mitigate AI-related risks with our risk management strategies, safeguarding your business and reputation.

### High-risk AI systems

Support during the registration or conformity assessment process regarding preparation of documents and communication with national authorities.

### Incident reporting system

Setup of a process to report serious incidents to the national supervisory authority within the required (very short) period of 72 hours after becoming aware of it.

### Greater AI framework

For example, assess protection of AI system under, e.g., copyright law and the liability of the AI provider (under the upcoming AI liability directive).

## Your contact

EY Law Austria is happy to discuss your projects and help you to identify and implement your needs to ensure that you will maximize your benefits and opportunities under the AI Act!

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LJU 2306-000 | ED None

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Sources: Current Draft AI Act, as well as publicly available EU Briefings, e.g. [https://www.europarl.europa.eu/ReqData/etudes/BRIE/2021/698792/EPRS\\_BRI\(2021\)698792\\_EN.pdf](https://www.europarl.europa.eu/ReqData/etudes/BRIE/2021/698792/EPRS_BRI(2021)698792_EN.pdf)