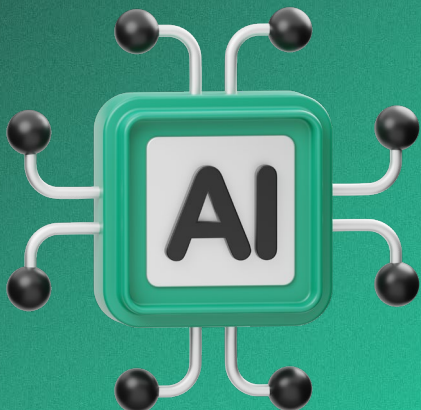


The EU AI Act

As a result of two years' worth of discussions and intense final negotiations, which the European Union trialogues concluded on 8 December 2023, the political agreement on the **Artificial Intelligence Act** was reached.



What is Artificial Intelligence (AI) Under the AI Act?

AI is defined in the AI Act as;
“An artificial intelligence 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.”



Risk-Based Approach

The AI Law addresses artificial intelligence systems with a **risk-based approach** and envisages different rules.



AI Systems with **Unacceptable Risk**

These systems are prohibited since they pose an unacceptable risk to society or the safety and fundamental rights of individuals.



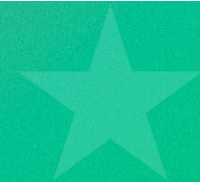
AI Systems with **High-Risk**

These could pose a significant risk of harm to society, the environment, or the health, safety, and fundamental rights of individuals.

AI Systems with Unacceptable Risk



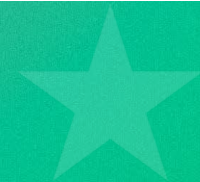
- ✘ Social scoring systems used by governments,
- ✘ Emotion recognition in the workplace and educational institutions,
- ✘ AI used to exploit people's vulnerabilities,
- ✘ AI systems used in cognitive behavioral manipulation,
- ✘ Untargeted scraping of facial images from the internet or CCTV footage to create facial recognition databases,
- ✘ Biometric categorization systems to infer sensitive data,
- ✘ Biometric identification systems (RBI) with some law enforcement exemptions,
- ✘ Some cases of predictive policing.



AI Systems with High-Risk



- ⚠ **Employment, management of employees, and access to self-employment**
(e.g. CV-sorting software for recruitment procedures),
- ⚠ **Critical infrastructures such as transport, that could put the life and health of citizens at risk,**
- ⚠ **Essential private and public services**
(e.g. credit scoring denying citizens the opportunity to obtain a loan),
- ⚠ **Safety components of products**
(e.g. AI application in robot-assisted surgery),
- ⚠ **Law enforcement that may interfere with people's fundamental rights**
(e.g. evaluation of the reliability of evidence),
- ⚠ **Migration, asylum, and border control management,**
- ⚠ **Administration of justice and democratic processes.**

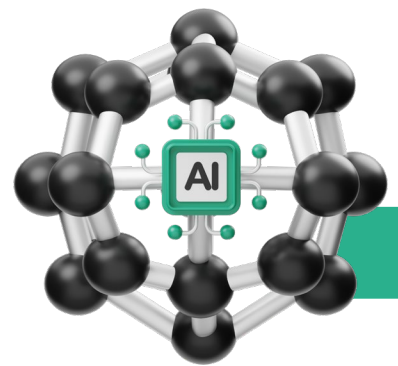


AI Systems with High-Risk

There are specific requirements foreseen for High-Risk AI Systems which are as follows:

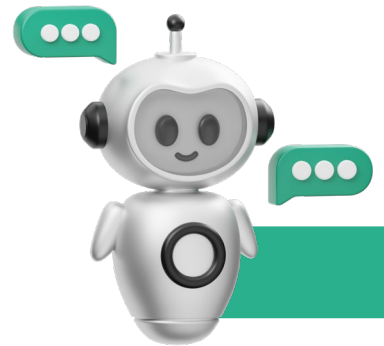
Operators have to conduct a **fundamental rights impact assessment** which will consider the impact of the use of an AI system on fundamental rights, the environment, health, and safety. Operators will be obliged to notify the supervisory authority of the outcome of the assessment.

Providers have to conduct a **conformity assessment** before placing high-risk systems on the market, to demonstrate conformity regarding data quality, documentation and traceability, transparency, human oversight, accuracy, cybersecurity, and robustness.



Artificial Intelligence Systems with Limited Risk

There are only specific transparency obligations such as informing users that they are interacting with a machine so they can take an informed decision to continue or not for AI systems with **limited risks** such as chatbots.



AI Systems with Minimal or No Risks

The AI Act allows the free use of minimal-risk AI for AI systems that pose **minimal or no risks** to society or the rights or safety of individuals such as AI-enabled videogames or spam filters.



General Purpose AI and Systemic Risks

Lastly, the AI Act includes rules in relation to **systemic risks** posed by AI systems that can be based on existing data, produce new content such as text, image, or sounds and have a wide range of possible uses, known as **General Purpose AI (“GPAI”) Systems**. All GPAI systems need to comply with transparency requirements.

There are some obligations for high impact High-risk GPAI Models have to ensure some extra requirements such as **conduction of model evaluations, assessment, and prevention of systemic risks, conduction of adversarial testing, reporting to the EU Commission on serious incidents, ensuring cybersecurity, and reporting on their energy efficiency.**



Which Companies are Affected by the AI Act?

The AI Act imposes obligations on manufacturers, importers, distributors, and operators of AI systems, even if they are not based in the EU. The AI Act also applies to companies outside of the EU providing their systems or outputs to EU users.

EU and non-EU-based companies should therefore ensure that they comply with transparency and other specific additional obligations set forth under the AI Act until the enforcement date.



What are the Penalties for Non-Compliance?

Penalties are determined based on a percentage of the company's worldwide annual revenue from the preceding fiscal year or a fixed amount, whichever is higher.

For prohibited AI systems:

€35 million or 7%

For breaches of the AI Act's obligations:

€15 million or 3%

For inaccurate information:

€7,5 million or 1,5%

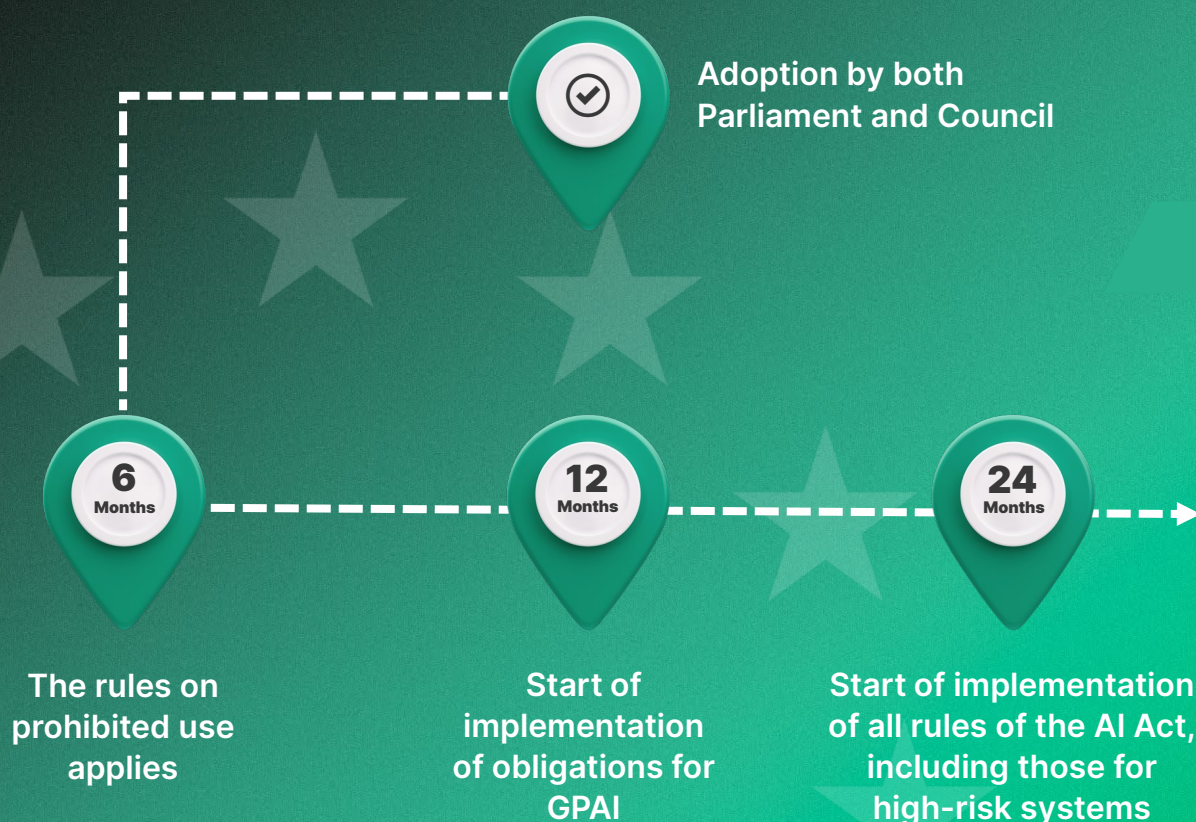


More reasonable maximum limits are put on administrative fines for small and medium-sized enterprises.



What Comes Next?

The agreed text will now have to be formally adopted by both Parliament and Council to become EU law. It will then become fully applicable 2 (two) years after entry into force, with a graduated approach as follows:



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