

AI Regulatory Developments

Deep Dive on the EU AI Act

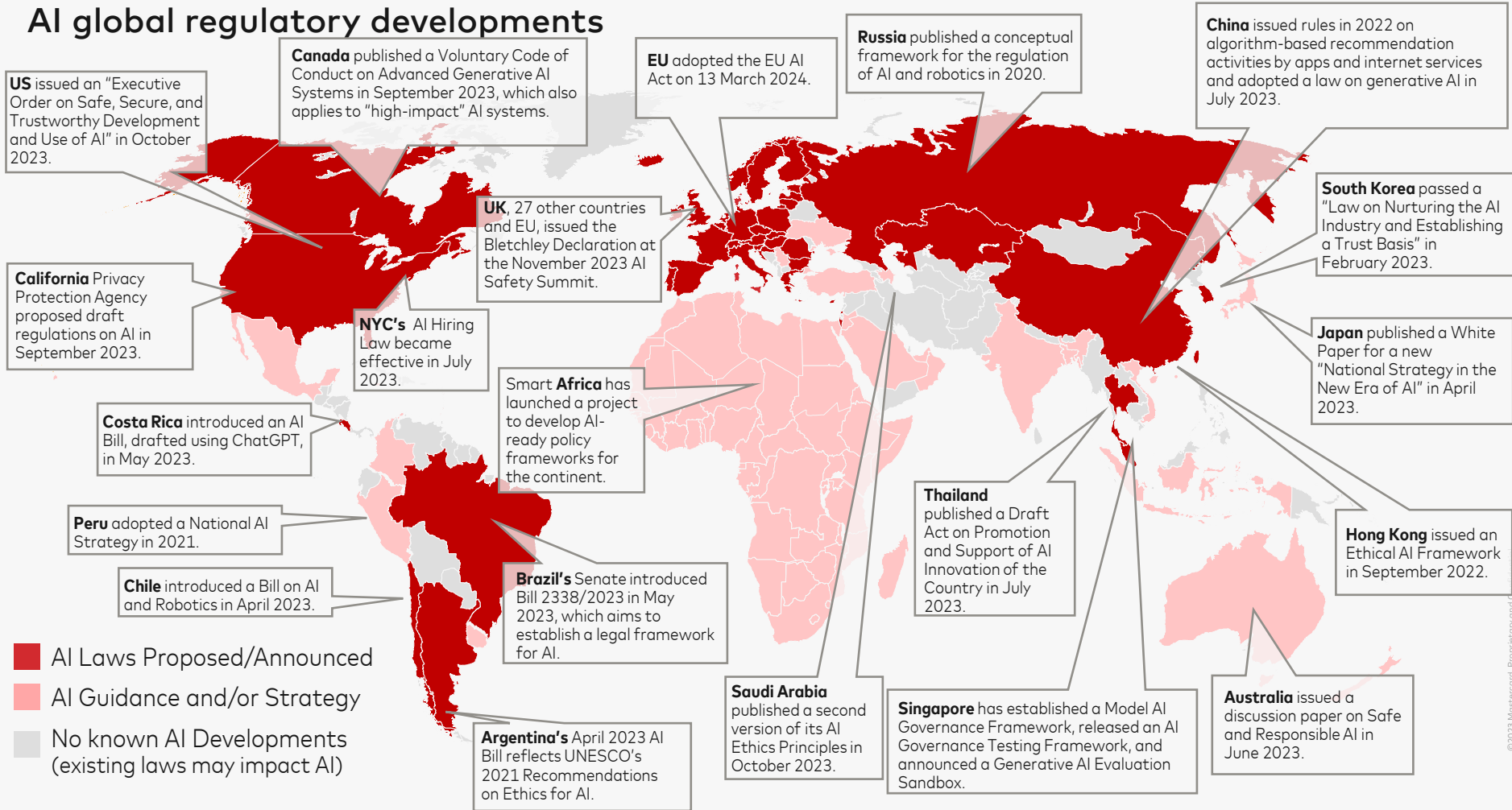
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Privacy & Data Protection, Artificial Intelligence at Mastercard

AI global regulatory developments



AI globally: Overview of calls for voluntary commitments

The EU, Canada, US, Saudi Arabia, Singapore, and the G7 have each announced voluntary initiatives that seek **endorsements, signatories, pledges, or other forms of engagement from companies**. These initiatives establish principles to guide AI development and use, and foster the development of standards, protocols, guidance, and best practices to promote responsible and safe AI.



G7 Guiding Principles and Code of Conduct on Advanced AI Systems

- Announced in October 2023
- Code-endorsing organizations should contribute to regulatory approaches and effective monitoring mechanisms for advanced AI



EU AI Pact

- Announced in November 2023
- Encourages companies to voluntarily pledge to work toward early compliance with the EU AI Act



Saudi Arabia's AI Ethics Principles (v2)

- Announced in October 2023
- Encourages companies to participate in an optional registration scheme reflecting their commitments to comply with the Principles



US AI Safety Institute Consortium

- Announced in November 2023
- Collaboration to establish techniques, metrics, and best practices to promote safe and trustworthy AI
- Participating organizations are expected to contribute expertise, products, data, and/or models to consortium's activities



Canada's Voluntary Code of Conduct on Advanced Generative AI Systems

- Announced in September 2023
- Signatories commit to contributing to the development of standards, sharing best practices with other players, and working with government to support public education on AI



Singapore Generative AI Evaluation Sandbox

- Announced in October 2023
- Initiative seeks model developers and third-party testers to collaboratively build Gen AI evaluation tools and capabilities

AI Regulatory Trends

Many countries are introducing laws and governance frameworks which are principles-based.



AI Risk / Impact Assessment



Bias Monitoring & Mitigation



Logging & Human Oversight



Transparency & Explainability



Data Quality & Accuracy



Cybersecurity & Robustness

EU AI Act: Rationale & Scope

"Whether it's precision farming in agriculture, more accurate medical diagnosis or safe autonomous driving - artificial intelligence will open up new worlds for us.

But this world also needs rules".

President Ursula von der Leyen,
State of the Union 2020



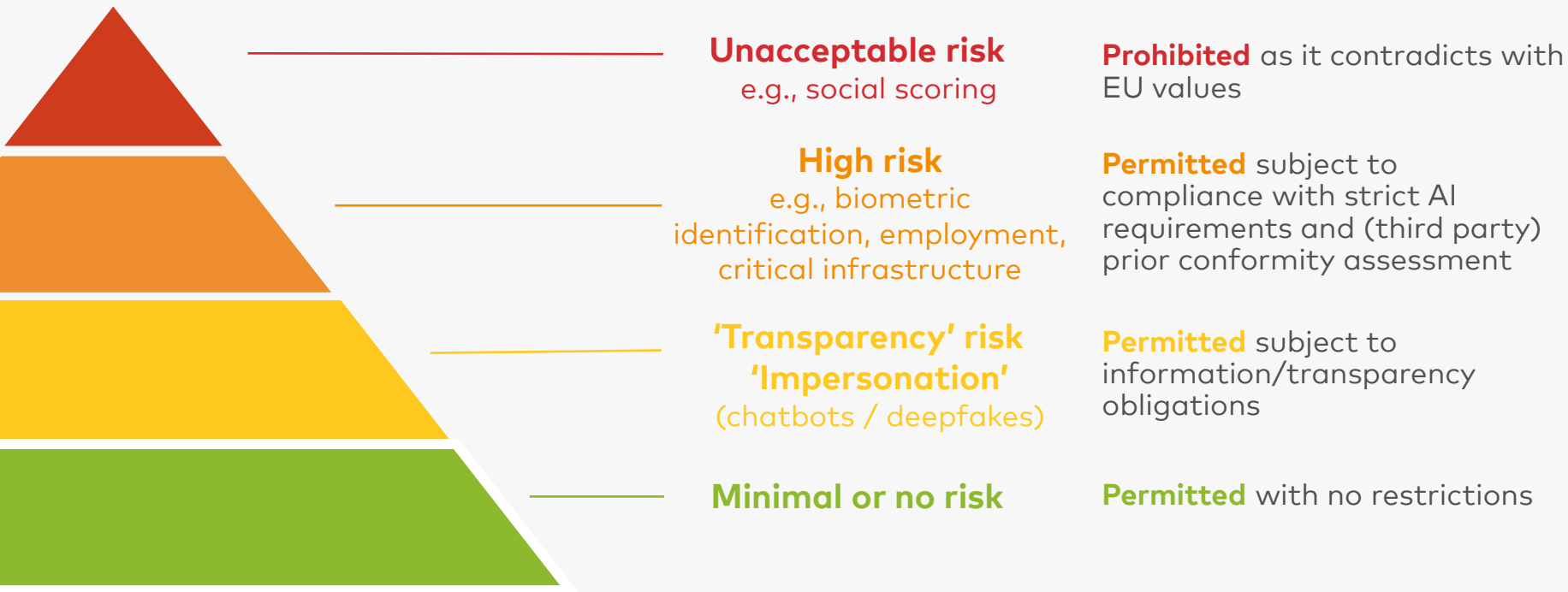
"Who"? All participants in the entire AI value chain, including providers, importers, distributors, and users of AI systems

"Where"? AI systems marketed and/or used in the EU or where the output produced by an AI system is used in the EU

"What"? "AI" defined very broadly, incl. machine learning, logic-based, knowledge-based and statistical approaches

"When"? Awaiting Council of the EU to formally approve the draft. Entry into force expected H2 2023 at the earliest (rules applicable after 2-year transitional period)

EU AI Act: Risk-Based Approach



EU AI Act: High-Risk AI Requirements

Technical



- Build in new features to allow for **human intervention**
- Ensure **auditability, robustness, cybersecurity**
- Ensure **fairness**, high **data quality** and **governance**, including bias correction

Operational



- **Record keeping** and technical documentation to demonstrate compliance
- Enhance **transparency** for users of the AI system
- Document **risk and quality management system**
- **Post-market monitoring**

Procedural



- Perform prior **conformity assessment**, with independent third parties as needed, and **fundamental rights impact assessment**
- **Register** AI systems in public EU database
- **Incident reporting**

EU AI Act: Penalties

- Max. **30M EUR** in administrative fines or up to **6% of total worldwide annual turnover** for the preceding financial year, whichever is higher
- Council general approach: in case of SMEs and startups, up to **3% of total worldwide annual turnover** for the preceding financial year



Preparing for AI Regulation

