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The EU AI Act Applies to You. Here's What That Means.

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Updated October 2026. This edition reflects the Digital Omnibus on AI, Regulation (EU) 2026/1744, in force since 27 July 2026, which moved the high-risk deadlines.

The EU AI Act is now law. If your company develops, deploys, sells or uses AI systems in the European market, this regulation applies to you, regardless of whether your company is based in Europe, the USA, or Asia.

Many businesses fall into one of two categories: those who believe the Act does not apply to them, and those who know it probably does but have not yet done anything about it. Both groups are taking on risk they do not need to take.

What the EU AI Act Actually Does

The EU AI Act introduces a structured risk framework for artificial intelligence systems. Where your product or system sits in that framework determines your legal obligations.

Risk Level	Description	Key Obligations
Prohibited	Banned outright	Biometric surveillance, manipulative systems, social scoring
High-Risk	Most demanding obligations	Conformity assessments, documentation, human oversight, EU database registration
Limited-Risk	Lighter requirements	Transparency obligations
Minimal-Risk	Standard operations	Voluntary codes of conduct
GPAI Models	Foundation models	Documentation, transparency, risk management

The mistake many companies make is assuming they fall into the minimal-risk category without actually conducting a structured classification analysis.

A Simple Test

If you are unsure whether the EU AI Act affects your company, ask yourself three questions:

- Does your product use AI to evaluate people in a way that affects opportunities, employment, credit, education, or access to services?
- Does your AI system influence decisions made by organizations in regulated sectors such as finance, healthcare, insurance, or education?
- Could a customer reasonably rely on your AI system when making a decision that materially affects another person?

If the answer to any of these questions is YES, there is a meaningful chance your system falls into the high-risk category. At that point, guessing is no longer a strategy.

The Three Mistakes Companies Are Making Right Now

Mistake 1: Waiting for Full Enforcement Before Acting

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Date	What Applies
2 February 2025	Prohibited practices banned. AI literacy obligations apply.
2 August 2025	GPAI model obligations apply. Penalty regime in force. Fines of up to EUR 35 million or 7% of global turnover for prohibited practices.
2 August 2026	**Already in force.** Article 50 transparency obligations: telling users they are dealing with AI, marking AI-generated content, and disclosing deepfakes. Not delayed by the Digital Omnibus.
2 December 2026	Deadline for machine-readable marking of AI-generated content (Article 50(2)) for systems already on the market before 2 August 2026. New bans apply to AI systems that generate non-consensual intimate material or child sexual abuse material.
2 December 2027	High-risk AI systems listed in Annex III (for example recruitment, credit scoring, education). Moved from 2 August 2026.
2 August 2028	High-risk AI embedded in regulated products (Annex I, for example medical devices). Moved from 2 August 2027.

If your product has a chatbot or generates content, the transparency rules already apply today. The high-risk deadlines moved, but they did not disappear. Building compliance into product architecture takes time, and enterprise customers are asking for it now.

Mistake 2: Treating This as a Legal Problem Rather Than a Business Problem

AI Act compliance is not just about avoiding fines. It is increasingly about market access, investor confidence, and enterprise procurement. Sophisticated investors are already asking about AI governance during due diligence. Businesses who treat compliance purely as a cost are missing the commercial opportunity.

Mistake 3: Misclassifying Their AI System

Risk classification is not always straightforward. A recruitment platform using AI to screen CVs is likely high-risk. A credit decision tool with AI scoring is high-risk. Even systems that appear benign can become high-risk depending on how they are used. Many companies discover this only when a large enterprise customer asks for their AI Act compliance documentation.

What Practical Readiness Looks Like

You do not need a fully built compliance framework today. You do need to understand where your company stands and have a credible plan.

- Maintain an internal inventory of AI systems used or developed by the company
- Conduct a written classification analysis
- Establish basic governance documentation including internal policies and oversight mechanisms
- Understand your role in the AI value chain: provider, deployer, importer, or distributor
- Ensure contracts with AI vendors and customers reflect relevant AI and privacy regulatory obligations

None of this requires a large compliance department. It requires clear thinking, the right legal framework, and a realistic understanding of how regulation interacts with product development and commercial strategy.

The Strategic Reality Most Businesses Are Missing

Many businesses outside Europe assume the EU AI Act is mainly a problem for European companies. That assumption is wrong. European customers will increasingly require AI vendors to demonstrate regulatory readiness before entering into contracts. In practice, the Act will function as a market gatekeeper, not just a regulatory framework.

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Companies that can clearly explain their AI governance and risk classification will move through procurement processes faster. Companies that cannot will struggle to sell into the European market, regardless of where they are headquartered.

For leaders and executives operating in or selling to the European market, the relevant question is no longer whether the AI Act applies. The question is whether your company understands where it sits in the framework and what that means for product design, contracts, governance, and growth strategy.

Not sure where your product sits?
Book a 30-minute call: cal.com/johnathanaloni/30min
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