



The European AI Office: An overview

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Introduction

On January 24, 2024, the European Commission took a significant step in the field of artificial intelligence by creating the European AI Office (commonly referred to as the EU AIO). This newly established body is specifically designed to coordinate and oversee AI-related activities across national competent authorities, EU institutions, offices, and agencies. The initiative aligns with the EU's broader AI Act, which seeks to drive transformative changes in financial services and enhance market dynamics.

The EU AIO officially commenced its operations on February 21, 2024. It has been seamlessly integrated into the administrative framework and annual management plan of the European Commission's Directorate-General for Communication Networks, Content, and Technology (DG-CNECT).

As the central hub for AI expertise within the EU, the EU AIO aims to play a pivotal role in ensuring the safety, trustworthiness, and effective governance of artificial intelligence systems across the member states.

Mission, key responsibilities and the potential impact of the European AI Office

The European Artificial Intelligence Office holds jurisdiction over the entire Single Market, with potential implications for supervised firms, markets, and their associated counterparties, clients, and customers. As the EU AIO's responsibilities and tasks continue to evolve, its name may undergo changes. Presently, the EU AIO is dedicated to fostering collaboration among stakeholders, ensuring alignment with the AI Act, and maximizing the benefits of the EU's approach to artificial intelligence.

The primary mission of the European AI Office is to support the development and utilization of trustworthy AI while mitigating AI-related risks. In alignment with the EU's approach to AI, the EU AIO plays a pivotal role on behalf of the Commission, collaborating with various other Directorate Generals, including DG-FISMA, to implement the AI Act. Specifically, it coordinates and provides support to governance bodies across the EU-27 Member States, enforcing rules related to general-purpose AI (GPAI) models.

Empowered by the AI Act, the EU AIO directly exercises powers allocated to the Commission. These powers encompass a range of critical functions, including:

- Conducting assessments of GPAI models
- Soliciting data and metrics from model providers
- Contributing to the drafting of rulemaking instruments and guidelines
- Providing technical support and input into supervisory expectations
- Imposing penalties as necessary

To effectively fulfill its responsibilities, the European AI Office aims to maintain a continuous vigilance over the AI ecosystem, technological advancements, market developments, and the emergence of systemic risks and other relevant trends.

Tasks of the European AI Office

The EU AIO has outlined several key tasks that it will undertake:

- Supporting the AI Act and enforcing general-purpose AI rules:
 - The EU AIO will leverage its expertise and knowledge to actively support the implementation of the AI Act. This involves assisting the Commission in preparing relevant Commission Decisions, implementing delegated acts, and ensuring a coherent and uniform application of the AI Act across all Member States.
 - Additionally, the EU AIO will play a pivotal role in developing tools, methodologies, and benchmarks for evaluating General-Purpose AI models. It will investigate possible rule infringements and provide guidance and guidelines to facilitate compliance monitoring with the AI Act.
- Strengthening the development and use of trustworthy AI across the European Single Market:
 - Collaborating with relevant public and private actors, as well as the startup community, the EU AIO aims to advance policies and actions that maximize the societal and economic benefits of AI across the EU.
 - Furthermore, the European AI Office will assist the Commission in effectively leveraging transformative AI tools and enhancing AI literacy among stakeholders.
- Fostering international cooperation:
 - The EU AIO will actively promote the EU's approach to trustworthy AI on the global stage. It will engage in fostering international cooperation and governance related to AI.
 - Additionally, the EU AIO will actively contribute to the development and implementation of international agreements concerning AI.

To achieve these objectives, the European AI Office will collaborate extensively with national and EU-level institutions, experts, and stakeholders. It will also establish partnerships with individual experts, organizations, and create forums for cooperation among AI model and system providers, including GPAI and the open source community.

Impact on financial markets participants

The establishment of the European Artificial Intelligence Office holds significant implications for financial market participants and their utilization of AI. These implications align with the provisions outlined in the EU AI Act and the supervisory expectations established by both

national competent authorities and EU-level bodies and agencies within the European System for Financial Supervision (ESFS).

Key points are:

- Supervisory expectations and compliance:
 - The EU AIO will play a crucial role in ensuring that financial market participants adhere to the rules and guidelines set forth in the AI Act. This includes monitoring the use of AI systems, evaluating their compliance, and enforcing necessary measures.
 - NCAs and EU-level bodies such as the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA) will collaborate closely with the EU AIO to establish consistent supervisory expectations across the EU.
- Harmonization and coordinated efforts:
 - The EU AIO aims to harmonize efforts across the Single Market, ensuring that financial institutions and market participants adopt trustworthy AI practices. By coordinating activities, it seeks to create a level playing field and enhance overall market integrity.
- International cooperation:
 - The EU AIO's impact extends beyond the EU borders. It actively engages in international cooperation, advocating for the EU's approach to trustworthy AI and contributing to global governance efforts.

Beyond the horizon

The European Artificial Intelligence Office, while integral to the Commission's Directorate-General for Communication Networks, Content, and Technology, faces inquiries regarding its autonomy and financial resources. These concerns are pivotal as the EU AIO's effectiveness hinges on its ability to independently act and engage with various EU-level and national authorities.

The EU AIO's mandate involves navigating a complex landscape of AI systems within financial services, each presenting unique characteristics and associated risks. It is tasked with ensuring these systems are secure, reliable, and advantageous for all stakeholders, including users, customers, and the broader society.

The European AI Office must operate within the confines of the EU's legal and policy framework. Simultaneously, it must maintain active engagement with the global AI landscape, akin to a firm interacting with and contributing to its surrounding environment.

The EU AIO's success will be measured by its ability to:

- Uphold the principles of safe and trustworthy AI.
- Navigate the multifaceted features and risks of AI systems in financial services.
- Collaborate effectively with authorities at both the EU and national levels.
- Align its operations with the EU's legal and policy framework.

- Engage proactively with the international AI community.

As the European AI Office is a recently established body by the European Commission, it will take time before meaningful progress can be accurately assessed.

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