



Compliance & Risks

AI Rules Are Changing: Strategic Insights To Market Access and Mandatory Compliance in 2026

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01. About The Authors



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Dila is a Senior Regulatory Specialist at C&R with 5+ years at the company and 15 years of professional experience. She is a sworn translator and qualified lawyer in Türkiye, admitted to the Union of Turkish Bar Association in 2012. Before joining C&R, she worked in various law firms, industries, and Türkiye's largest asset management company.

At C&R, she leads and manages global regulatory projects, supporting clients with AI, battery, and pressure-equipment compliance. She specializes in researching and monitoring international legislation, standards, and regulatory developments, and works on consulting and assessment projects covering global requirements.

Dila holds an LL.B. from Yeditepe University, where she received a full scholarship, and a European Master in Law and Economics, earning triple

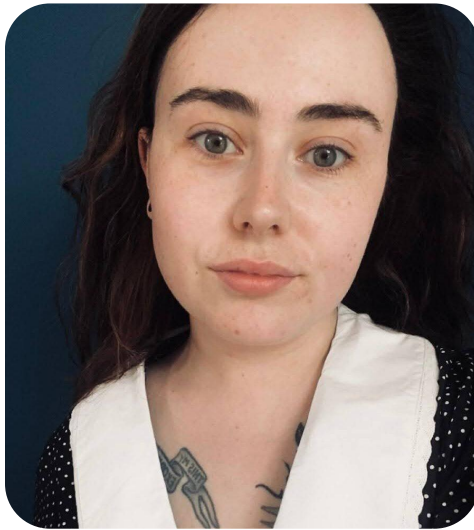
master's degrees from Bologna University, Ghent University, and Haifa University. She also has a B.A. in Communication from Istanbul University.

She is deeply engaged in AI policy. After completing the Washington, US-based independent non-profit research organization Center for AI and Digital Policy's AI Policy Clinic with distinction, she continued as a research team lead, teaching fellow, and a Policy Group Member. She was also a course facilitator at the Center for AI Safety for the AI Safety, Ethics and Society course.

Dila is the Global Ambassador for Turkey at the Global Council for Responsible AI, a charter member of Women in AI Governance, and a member of the Istanbul Bar Association's Artificial Intelligence Working Group.

She is a native Turkish speaker and fluent in English.

01. About The Authors



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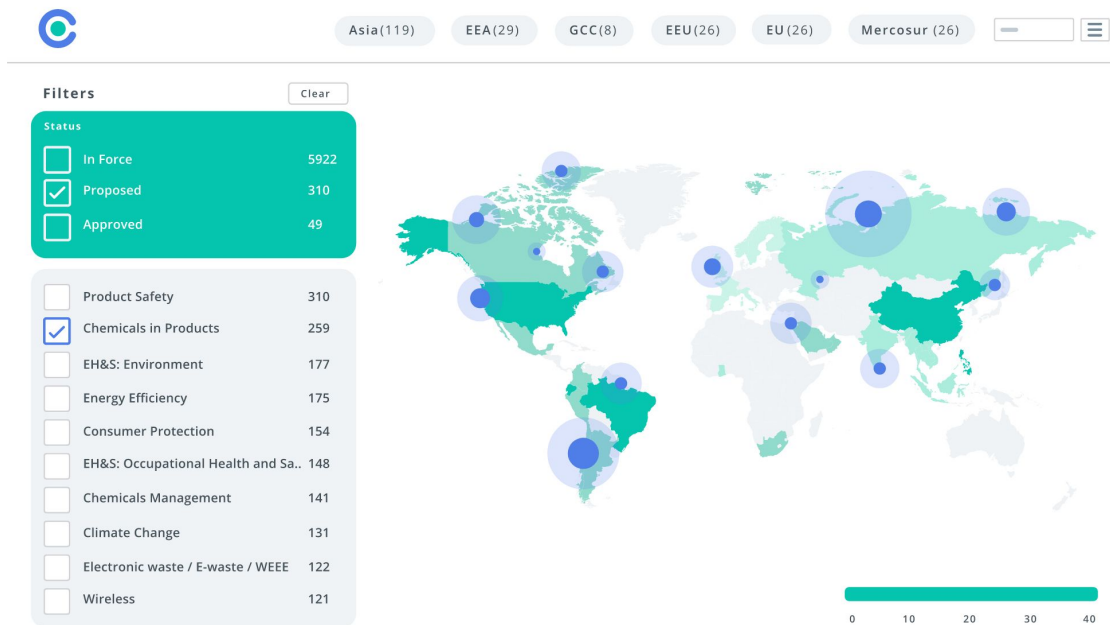
Chelsea is a London based Senior Regulatory and Compliance Specialist with Compliance & Risks, specializing in global environmental and product safety regulations for the electronics sector. She also leads the company's Knowledge Partner Network, connecting top law firms, engineering and environmental consultancies, and industry experts to deliver high-value compliance insights.

Since joining in 2019, she has excelled in tracking and assessing regulatory developments, with a strong focus on Artificial Intelligence. Chelsea holds a BCL and MSc in International Public Policy & Diplomacy from University College Cork, along with an Advanced Certification in Artificial Intelligence from the Center for AI & Digital Policy in Washington, DC.

Before Compliance & Risks, she worked with Enterprise Ireland supporting the growth of Irish companies in global markets.

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01. Introduction

The global regulatory environment for artificial intelligence has officially moved past the "wait and see" period.

As of 2026, governments are shifting rapidly from voluntary ethical principles to enforceable rules driven by urgent concerns regarding safety, fundamental human rights, national security, and social stability.

This comprehensive guide, based on our recent webinar "[AI Rules Are Changing: Key Regulatory Updates for 2025 & 2026](#)," examines how regions like the EU, South Korea, and Vietnam are adopting prescriptive, risk-based frameworks while others, like Japan, maintain flexible guidance to favor innovation.

We will cover the specific operational requirements, documentation burdens, and legal representation mandates that now define the global marketplace.

For businesses, these changes mean that market access pressure is at an all-time high. Organizations must now treat AI compliance not just as a risk management function, but as a strategic competitive advantage.

By aligning products with emerging technical standards and societal expectations, early adopters gain credibility and smoother access to public procurement and government partnerships.

Our experts provide the necessary breakdown of these rules to help organizations navigate the divergent standards of 2026.

This guide was originally published on the 23rd February 2026. Further regulatory developments may have occurred after publication.

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02. The EU AI Act: Risk Categorization and Banned Practices

The EU AI Act, which became official on August 1, 2024, is the world's first comprehensive legal framework for AI.

It utilizes a risk-based approach to establish safeguards for fundamental rights. The Act categorizes AI systems into four tiers: Unacceptable Risk, High Risk, Transparency Requiring (Limited Risk), and Minimal Risk.

As of February 2, 2025, a legal ban was enforced across the EU for systems deemed to pose an "Unacceptable Risk".

There are eight specific banned practices under the Unacceptable Risk category. These include subliminal manipulation techniques designed to distort behavior, the exploitation of vulnerabilities (such as age or disability), and general-purpose social scoring that leads to detrimental treatment.

Also prohibited are predictive policing based on profiling, unauthorized facial recognition databases created through untargeted scraping, and emotion recognition in workplaces or schools except for safety reasons.

Biometric categorization based on sensitive attributes like race or political opinion and real-time remote biometric identification in public spaces for law enforcement are also restricted to narrowly defined exceptions.

03. The Digital Omnibus on AI: Streamlining European Compliance

While high-risk AI obligations were originally set for August 2, 2027, the EU Commission has proposed the "Digital Omnibus on AI" to simplify implementation due to stakeholder concerns and delays.

The centerpiece of this proposal is "Readiness-Based Application" (Art. 113), which ensures the compliance clock only starts once the Commission decides that adequate supporting measures, such as harmonized standards and guidance, are actually available.

If standards are delayed, the backstop deadlines are December 2, 2027, for Annex III specific use cases and August 2, 2028, for Annex I regulated products.

The Omnibus also seeks to reduce administrative burdens by expanding regulatory privileges to "Small Mid-Caps" (SMCs), providing them with simplified technical documentation and Quality Management Systems (QMS) requirements. Notably, the proposal suggests moving AI literacy from a mandatory requirement to one of "encouragement" by member states.

It also streamlines the registration process, exempting systems from the EU database if a provider documents why a system is not high-risk.

Furthermore, it centralizes enforcement for general-purpose AI (GPAI) under the AI Office to ensure consistency across the Union.



04. South Korea's AI Basic Act: Prescriptive Mandates and Representation

South Korea's "Framework Act on the Advancement of AI," commonly known as the AI Basic Act, took effect on January 22, 2026.

This landmark legislation consolidates 19 separate bills into a unified framework covering research funding to strict safety requirements.

It targets "high-impact AI," defined as systems that can significantly affect life, safety, or basic human rights, such as those used in critical infrastructure (energy, water), medical devices, or financial and employment decisions.

A critical requirement for international firms is the mandatory appointment of a domestic representative for foreign AI businesses that meet specific thresholds. While the representative acts as the point of contact, the foreign operator retains full legal responsibility for any non-compliance or violations, including fines, corrective orders, or enforcement actions.

This representative serves as a liaison with the Ministry of Science and ICT (MSIT) and is responsible for reporting compliance with safety measures and verifying documentation.

Failure to disclose AI use or appoint a representative can result in fines up to KRW 30 million (~USD 22,000) or government-issued cessation orders.

05. Vietnam and China: Risk Based v Targeted Oversight and Content Controls

Vietnam passed its first standalone AI Law in December 2025, effective March 1, 2026

Similar to the EU, it establishes a risk-based classification (unacceptable, high, medium, low) and requires conformity assessments for high-risk systems before they can operate.

Vietnam also mandates incident reporting for serious events through a "single-window" portal and requires the labeling of AI functions to ensure transparency for users.

China utilizes a more targeted regulatory approach, focusing on generative AI, deepfakes, and algorithmic recommendations. Effective September 1, 2025, the "Measures for the Indication of AI-Generated and Synthetic Content" require platforms to label AI content and embed machine-readable metadata.

Platforms must also maintain ongoing monitoring records and compliance reporting for inspection by authorities.

Furthermore, China has proposed draft rules for "human-like interactive AI" that could extend labeling and risk management requirements to smart devices like conversational toys or appliances. The rules are still vague in implementation, which creates uncertainty - but also opportunity. Companies that proactively integrate transparency, risk monitoring, and user safeguards can not only reduce regulatory risk but also position themselves as trusted innovators in the market.

From a strategic perspective, this draft shows that regulators are thinking about AI in all forms, not just software. Any consumer product with human-like AI interactions could be subject to compliance obligations. Early preparation now could save time, resources, reputational risk later and could even provide a competitive advantage as China enforces these standards and other markets watch closely.

06. Japan's Soft Law: Prioritizing Innovation through Trust

In contrast to the prescriptive mandates of its neighbors, Japan's AI Promotion Act, effective June 4, 2025, favors "soft law" and voluntary best practices.

There are no formal mandatory legal reporting requirements under this Act; instead, it establishes principles and a policy framework to encourage innovation.

Companies are encouraged to voluntarily implement human oversight, transparency statements, and ethical AI guidelines, such as those from the Ministry of Economy, Trade & Industry (METI).

However, Japanese "soft law" does not mean no law. AI-enabled products must still comply with mandatory safety standards, such as the PSE mark for electrical appliances and consumer protection laws.

In Japan's commercial culture, ignoring voluntary guidelines can lead to severe reputational damage, the loss of government partnerships, and exclusion from smart city programs.

Most international companies choose to adopt these guidelines voluntarily to reduce litigation risk and maintain essential commercial trust.



07. The United States: Federal Strategies vs. the State Patchwork

The United States is currently navigating a complex interplay between federal initiatives and state-level mandates.

Executive Order 14365, released in mid-December 2025, aims to shift the country toward a unified federal AI framework to reduce the "patchwork" of state laws and support strategic competition.

This EO includes a DOJ task force with the authority to challenge state regulations that conflict with federal policy, particularly those involving restrictive disclosure requirements.

Despite this move toward federal centralization, businesses still face a "legal trap" because many state laws are already enforceable.

Deadlines for the Texas Responsible AI Governance Act (Jan 1, 2026), the Colorado AI Act (June 30, 2026), and the California AI Transparency Act (Aug 2, 2026) require immediate compliance.

Companies must simultaneously monitor federal guidance and specific state mandates to avoid civil penalties and injunctions.

The outcome of the federal-state conflict is expected to be litigated for years, leaving multi-state operators in a high-risk "gray zone" of compliance.

08. Webinar Q&A

During the live webinar, numerous questions were sent in by our live audience. Our webinar presenters, [Dila Şen](#) and [Chelsea Ní Chuinneagáin](#), provided expert answers to the most popular queries below.

Q1. Do we expect these definitions of high/low/unacceptable risk to be consistent across different legislation?

No, while we will see similar concepts emerge, the definitions, thresholds, and enforcement mechanisms will vary depending on jurisdiction.

While we see a rights-based horizontal frameworks in the EU, the US tends to address AI risk through sector-specific rules and existing laws and China regulates AI more through system/service categories and priorities like security, content governance, and social stability, which can function like "unacceptable" restrictions without using the same labels.

In this space I would expect alignment in themes and safeguards but not identical legal definitions or thresholds.

Q2. Do you know potential products concerned by high risk for AI in the EU?

Article 6 of the EU AI act states that an AI system is high-risk if it is intended as a safety-critical component of a product (or is itself a product) covered by EU harmonisation legislation listed in Annex I and requires a third-party conformity assessment. 6(2) goes on to say that AI systems listed in Annex III are also considered high-risk.

The full list can be found [here](#).

Q3. Are there any rules of thumb in the many regulations to consider if AI Legislation is in scope for Products? For example, many electronic goods have sensors and internet connection, so they would be used for AI/ML - but may not be in the scope.

A simple rule of thumb is that having sensors or internet doesn't automatically make a product "AI-regulated" and it is usually only in scope if it uses AI/ML to make predictions or decisions that can affect people's safety, rights, or opportunities i.e. biometrics, surveillance/monitoring or dealing with critical systems.

If the AI is just doing small behind-the-scenes improvements such as something like battery optimisation, it's usually lower risk and less likely to be targeted by AI laws.

This again would vary depending on your specific product scope and markets however.



09. Conclusion

The year 2026 marks the end of the experimental phase of AI ethics and the beginning of a strict, legally mandated era of governance.

As shown by the diverging paths of the EU, South Korea, and the U.S., businesses must now move beyond reactive risk management to proactive operational compliance.

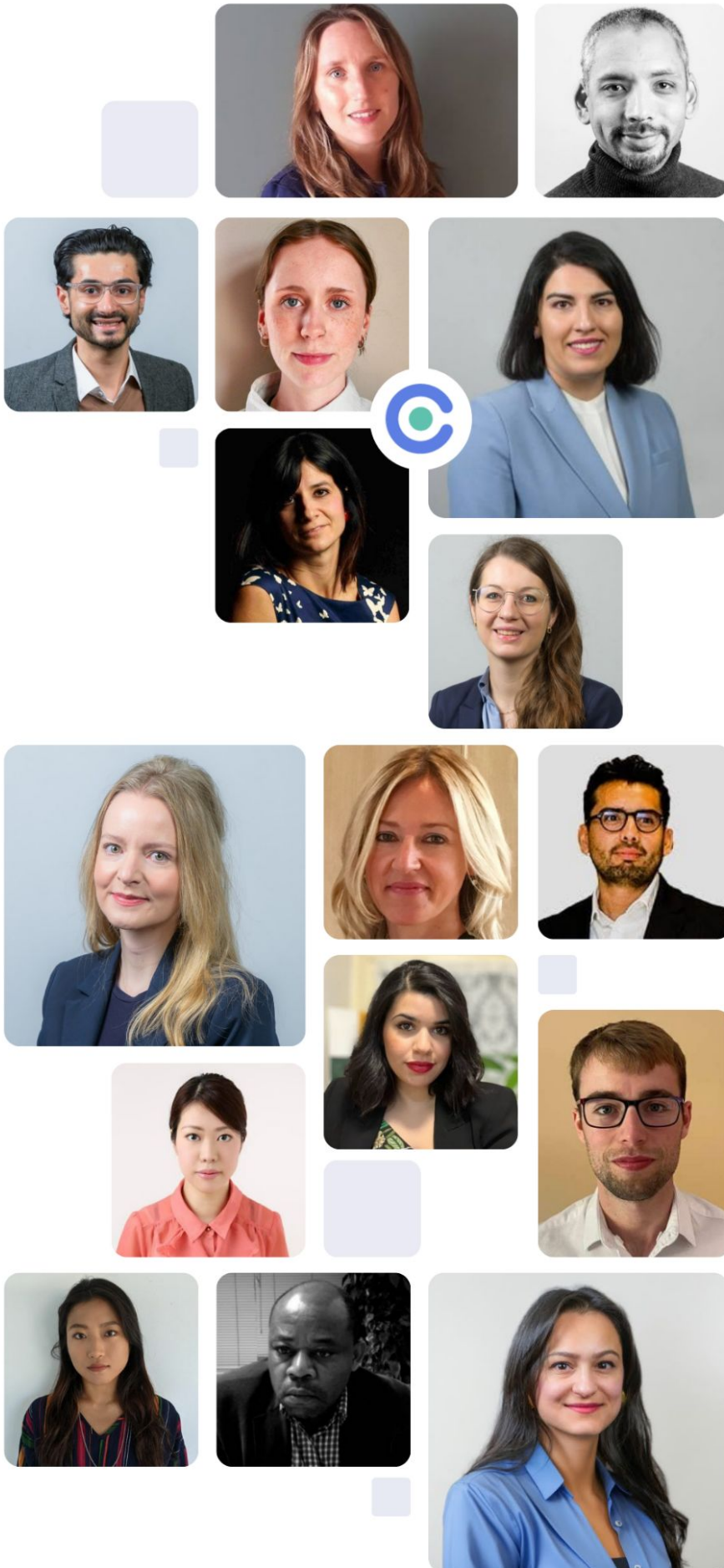
Success in this landscape requires robust internal documentation, the agility to meet shifting deadlines like those proposed in the EU's Digital Omnibus, and the foresight to appoint necessary domestic representatives in Asian markets.

Organizations that prioritize these mandates today will not only avoid costly penalties and reputational harm but will secure a strategic advantage in the global AI economy.

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