

# THE EUROPEAN UNION REDEFINES THE BALANCE BETWEEN INNOVATION AND REGULATION IN ARTIFICIAL INTELLIGENCE

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## Executive Summary:

- The European Union has agreed to ease certain AI Act deadlines and obligations in order to foster innovation and reduce regulatory burdens, particularly for technology companies and high-risk sectors.
- Although compliance timelines are being extended and mechanisms such as regulatory sandboxes are being reinforced, the AI Act continues to uphold key prohibitions and maintains a strong focus on the protection of fundamental rights and personal data.

The agreement reached in recent days between the European Parliament and the Council of the European Union to simplify certain provisions of the Artificial Intelligence Regulation (AI Act) represents one of the most relevant regulatory adjustments since the entry into force of this regulatory framework in August 2024. Beyond being a mere administrative flexibilization, the initiative reflects a strategic shift in

the way Europe seeks to position itself in the face of growing global technological competition, particularly against the United States and China. In this sense, the agreement shows an evolution of the European discourse: from a predominantly precautionary regulation to a more pragmatic model oriented towards technological competitiveness.

## ABSTRACT

### What changes?

- **Compliance deadlines:**
  - for **high-risk systems** from December 2027 (formerly August 2026); and for
  - **Physical products with AI:** starting August 2028.
- **Reduction** of administrative burdens and **reinforcement** of regulatory sandboxes.
- **New ban:** generation of non-consensual intimate content using AI.
- **Greater harmonization** with other European regulations.

### What stays the same?

- **Mandatory training of staff in AI:** compliance as of August 2026.
- **Prohibitions in force:** subliminal manipulation, social punctuation and emotion recognition.
- **Fines:** up to €35 million or 7% of annual turnover (depending on the type of infraction).
- **Protection of fundamental rights as a central axis.**

¿WHAT CHANGES WITH THIS AGREEMENT?

**A. Compliance deadlines.**

The implementation schedule for AI systems considered to be high-risk (those used in critical infrastructure, education, human resources or justice) was modified.

Previous Date	Date Updated
August 2026	December 2027

Obligations applicable to sensitive sectors such as biometrics, critical infrastructure, education, employment, migration, and border control will begin to be implemented from December 2027, while systems embedded in physical products, such as toys or elevators, will be subject to the new rules until August 2028.

From a regulatory perspective, the agreement confirms an increasingly visible trend in the European Union: the need to reconcile technological supervision with economic viability. The AI Act was originally conceived as a robust risk mitigation instrument, but its implementation raised concerns about potential adverse effects on innovation and compliance costs, particularly for startups and mid-sized companies. In response, the new agreement expands certain regulatory benefits previously reserved for small and medium-sized companies, in addition to reinforcing mechanisms such as "regulatory sandboxes" (controlled experimentation spaces where companies can develop and test AI systems with direct supervision, under compliance flexibility schemes) for testing in real conditions.

**B. Prohibition of the generation of explicit non-consensual content.**

Regulatory simplification and the extension of deadlines do not imply absolute relaxation. In fact, the agreement seeks to introduce an express ban on AI systems capable of generating sexually explicit and intimate content without consent. The specific incorporation of this prohibition is particularly significant for two reasons. First, because it formally recognizes the exponential growth of generative technologies used to produce non-consensual images. Second, because it reflects the growing

concern regarding the impact of these tools on privacy and human dignity, especially of women and minors.

This point also reveals a distinctive feature of the European model of digital governance: risk-based regulation remains deeply linked to the protection of fundamental rights, particularly the right to the protection of personal data enshrined in Article 8 of the Charter of Fundamental Rights of the European Union. The AI Act does not operate in isolation, but in close coordination with the General Data Protection Regulation (GDPR), establishing a complementary regulatory framework where the obligations of transparency, data minimisation and risk assessment are mutually reinforcing. The European Union continues to position the protection of the person as the structural axis of its digital regulatory architecture.

**C. Regulatory harmonization in Europe.**

The agreement also seeks to clarify the interaction between the AI Act and other European sectoral regulations such as the Machinery Regulation. This regulatory harmonization seeks to avoid regulatory duplication and reduce legal uncertainty for manufacturers and developers, which could translate into more efficient compliance processes and a reduction in administrative burdens for companies.

**WHAT STAYS THE SAME?**

The AI Act must not be shelved. The regulation still requires critical obligations that follow their original course and whose non-compliance can lead to fines of up to 35 million euros or 7% of annual turnover (depending on the type of violation), including:

- 1. Mandatory training of staff** on AI, by August 2026.
- 2. Prohibited systems:** Subliminal manipulation, social scoring, and emotion recognition using AI systems are still prohibited under the deadlines already established.

**The underlying message of agreements like this is clear: Europe seeks to prevent its own regulatory ecosystem from becoming a competitive disadvantage against other jurisdictions, without dismantling safeguards aimed at protecting**

fundamental rights.

It is important to monitor this type of regulatory updates since the European Union has consolidated its position as a global benchmark in digital governance. Its regulatory frameworks tend to be replicated throughout the world, so the adjustments to the AI Act will not only impact companies with operations in European territory, but could set the tone for future regulatory reforms in Latin America, including Mexico.

References: European Commission, *EU agrees to simplify AI rules to boost innovation and ban 'nudification' apps to protect citizens*, Directorate-General for Communications Networks, Content and Technology, 7 May 2026, available at: <https://digital-strategy.ec.europa.eu/en/news/eu-agrees-simplify-ai-rules-boost-innovation-and-ban-nudification-apps-protect-citizens> (last consulted: 13 May 2026).

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