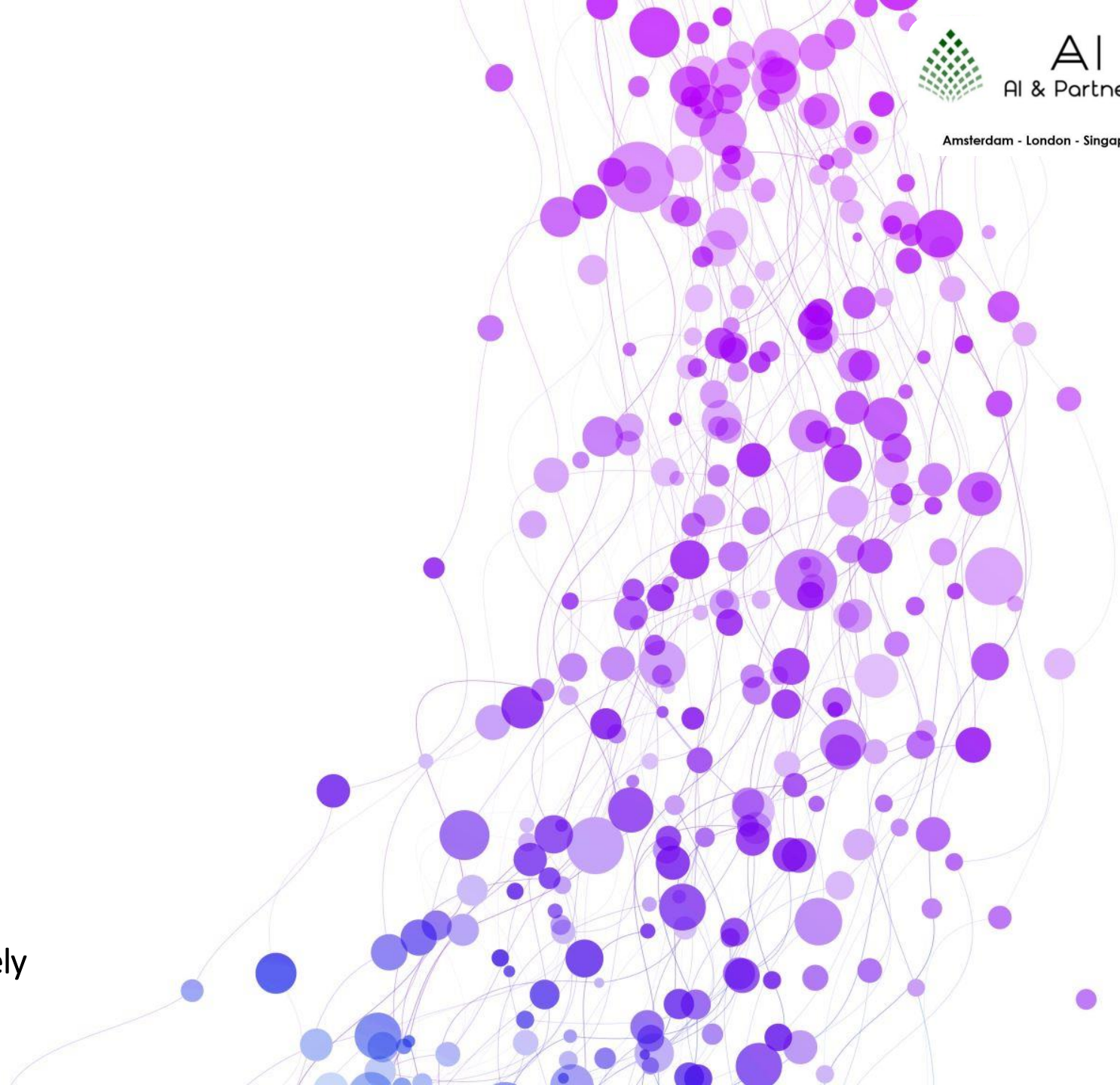


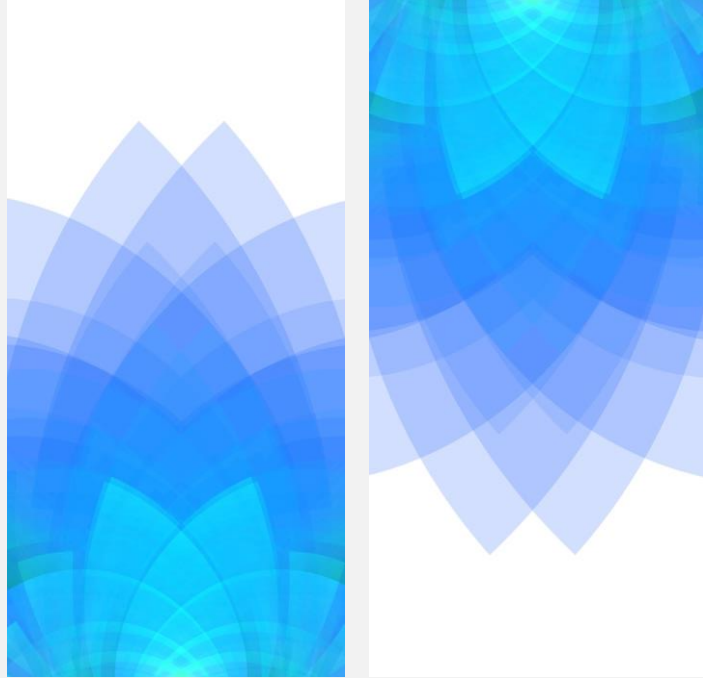


EU AI Act

Overseeing Authorised Representatives effectively

April 2024





This presentation examines data from the FCA’s review of the Appointed Representatives regime to provide insights relating to ensuring effective oversight of Authorised Representatives, as the latter are considered to be the equivalent of the former (see slide **Mapping**). Key aspects of the Authorised Representatives regime include:

Appointment of an Authorized Representative

Providers established in third countries must appoint an authorized representative in the Union by a written mandate before placing their AI models on the Union market. This ensures an EU point of contact for regulatory matters.

Roles and Responsibilities

- The authorized representative is tasked with verifying that the technical documentation has been prepared and that all obligations under the Act have been fulfilled by the provider.
- They must keep a copy of the technical documentation and the provider's contact details for 10 years after the AI model has been placed on the market and provide this documentation to the AI Office and national competent authorities upon request.
- The representative is also required to cooperate with the AI Office and national competent authorities in any action related to a general-purpose AI model with systemic risks.

Termination of Mandate

The authorized representative must terminate the mandate if they consider or have reason to believe that the provider is acting contrary to its obligations under the Regulation. They must also inform the AI Office about the termination of the mandate and the reasons for it.

Compliance and Cooperation

The regime emphasizes the need for cooperation between the authorized representative, the AI Office, and national competent authorities to ensure compliance with the Regulation. This includes providing necessary information and documentation to demonstrate compliance and taking action in relation to AI models with systemic risks.

Authorised Representative: *“natural or legal person located or established in the Union who has received and accepted a written mandate from a provider of an AI system or a general-purpose AI model.”*

Art. 22 of EU AI Act covers provisions relating to authorised representatives that have been appointed by providers of high-risk AI systems, including the performance of delegated tasks.

Due diligence checks when appointing Authorised Representatives

- Received info about misconduct by EU-based AR for high-risk AI provider
- Concerns raised about provider's diligence in AR selection
- Found deficiencies in due diligence and supervision capacity of provider
- Director with fraud history appointed as AR
- Provider had inadequate systems, controls, and resources
- Weak due diligence in AR recruitment
- Provider stopped appointing new ARs
- Conducted review of existing ARs, terminated majority
- Provider ceased operations

Inadequate Systems and Controls

- Identified providers utilizing regulatory hosting or secondment model for high-risk AI systems.
- Engaged with one provider, raising concerns about AR recruitment and monitoring systems.
- Noted insufficient non-financial resources allocated.
- Lack of evidence of adequate resources or records for overseeing seconded individuals.
- Raised concerns with principal, leading to agreement to restrict activities of themselves and their ARs until issues resolved.

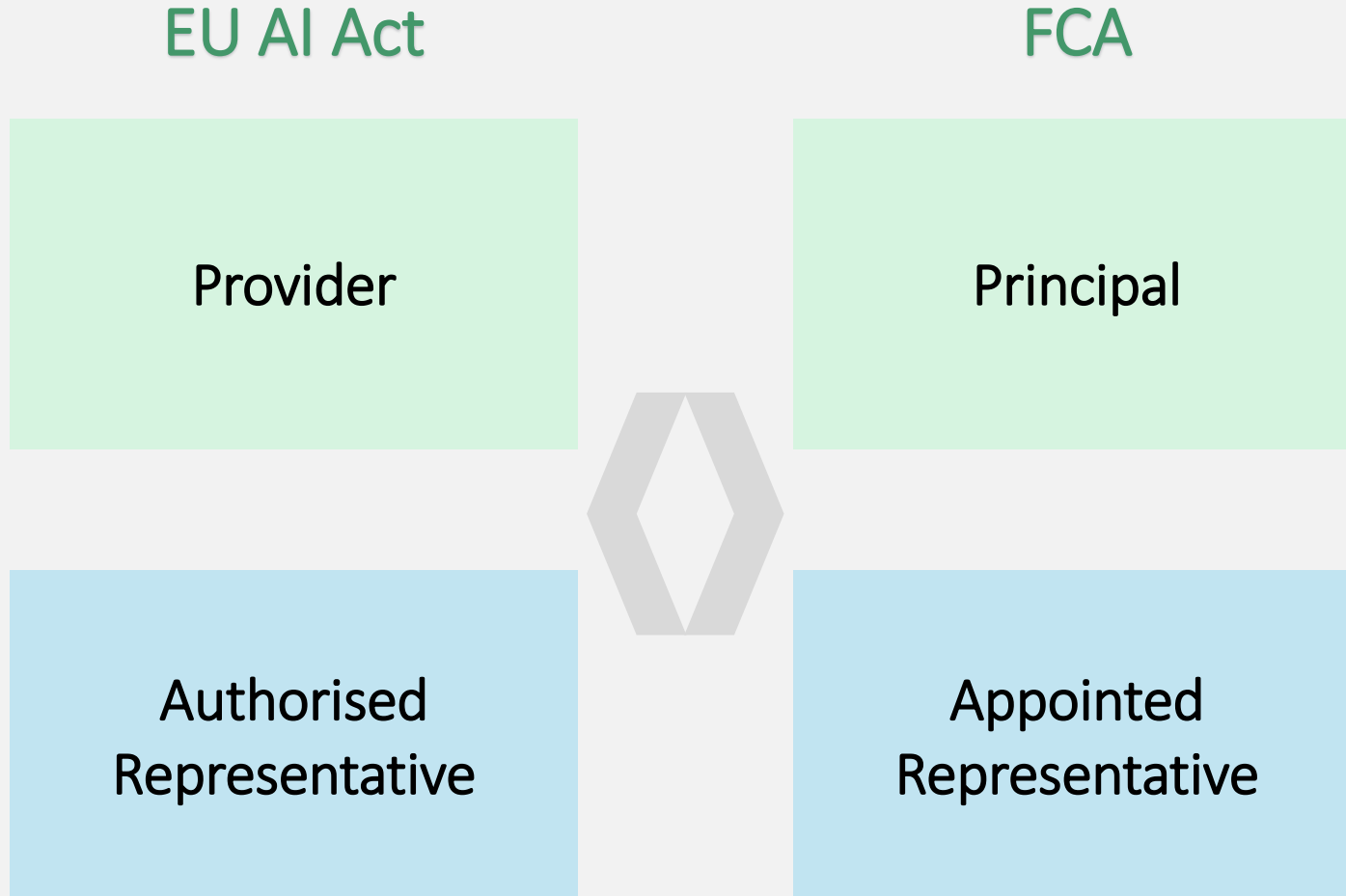


Jurisdiction

Challenges involving overseas authorised representatives include difficulties in understanding and managing legal, accounting, and regulatory requirements for each jurisdiction. They also include potential complications in having effective communications due to cultural and language differences and likely challenges in monitoring and oversight due to geographical distance.

Insurance

Important liability insurance that covers providers when a third-party claims to have suffered a loss, usually due to professional negligence. Providers with authorised representatives should hold compliant PII to cover the activities of their current and former authorised representatives as a matter of best practice.



Written Mandate and Responsibility

Similar to a principal appointing an AR with a written agreement, providers of AI systems or general-purpose AI models established in third countries must appoint an authorized representative in the Union by a written mandate, entrusting them to carry out specific obligations on their behalf,

Obligations and Compliance

The authorized representative is responsible for verifying that the provider has fulfilled all obligations, including the preparation of technical documentation and compliance with relevant articles of the EU AI Act. This mirrors the principal's responsibility to ensure that the AR complies with regulatory rules and operates within the scope of their appointment.

Fitness and Proper Conduct

While the EU AI Act does not explicitly mention the "fit and proper" requirement, it implicitly requires the authorized representative to ensure the provider's compliance with the Regulation. This includes terminating the mandate if the provider acts contrary to its obligations, akin to the principal's duty to ensure the AR's fitness and proper conduct.



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