

The EU AI Act in Motion: Key Takeaways from the Digital Omnibus on AI Proposal Package



Executive Summary

The EU AI Act is undergoing its first major legislative adjustment — and it has not even fully entered into force yet. In March 2026, both the European Parliament and the Council of the EU adopted their respective positions on the “Digital Omnibus on AI”, a simplification regulation forming part of the seventh omnibus package proposed by the European Commission on 19 November 2025. The underlying objective is to reduce administrative burden, create legal certainty and foster innovation. Despite this adjustment, the message from Brussels remains clear: the EU will not abandon the fundamental policy goals of the AI Act and remains committed to regulating artificial intelligence. However, it recognises that the current timeline and certain requirements need recalibration to ensure workability and competitiveness.

For companies developing, deploying, or procuring AI systems in Europe, this is a pivotal moment. Below, you will find some key aspects of the current developments and what they mean in practice.

1. Postponement of High-Risk AI System Rules: New Fixed Deadlines

The centrepiece of the Omnibus on AI is the postponement of the application dates for obligations relating to high-risk AI systems. Under the original AI Act timeline, the bulk of high-risk requirements were set to apply from 2 August 2026. However, key harmonised standards are unlikely to be finalised by that date, creating an untenable situation for providers, who would be required to comply with rules for which there are currently no recognised technical benchmarks.

Both the Parliament and the Council have agreed on the same fixed application dates, a significant signal of alignment ahead of trilogue negotiations:

2 December 2027: for stand-alone high-risk AI systems specifically listed in Annex III of the AI Act, including those involving biometrics, critical infrastructure, education, employment, essential services, law enforcement, justice, and border management.

2 August 2028: for high-risk AI systems that are embedded in, or serve as safety components of, products



covered by EU sectoral safety and market surveillance legislation (e.g. medical devices, radio equipment, machinery).

2. Shorter Extension for Watermarking

The Parliament has also addressed the timeline for compliance with watermarking obligations, which require providers to mark AI-generated audio, image, video, and text content to indicate its artificial origin. While the Commission had proposed extending the deadline to 2 February 2027, the European Parliament favours a shorter extension, setting the new deadline for 2 November 2026. This reflects the Parliament's view that transparency obligations for AI-generated content should remain a near-term priority.

3. New: Ban on “Nudifier” AI Systems

Both co-legislators have gone beyond the Commission's original proposal by introducing a new category of prohibited AI practice. The Parliament is proposing a ban on so-called “nudifier” systems – AI tools that create or manipulate sexually explicit or intimate images resembling an identifiable real person without their consent. The ban would not apply to AI systems that incorporate effective safeguards preventing users from generating such content.

The Council's position goes even further, prohibiting AI practices that generate non-consensual sexual and intimate content as well as child sexual abuse material. The alignment of both institutions on this issue signals that the final text will very likely include such a ban, with the precise scope to be negotiated in trilogue.

4. Registration Obligations Reinstated

A notable development in the Council's mandate is the reinstatement of the obligation for providers to register AI systems in the EU database, even if those providers consider their systems to be exempt from high-risk classification under Article 6(3) of the AI Act. The Commission's original proposal had sought to remove this public registration requirement, replacing it with a documentation-only obligation. The Council's reversal reflects member

states' insistence on maintaining transparency and accountability, particularly for systems operating in sensitive domains.

5. SME and Small Mid-Cap Support

Both the Parliament and the Council support the Commission's proposal to extend the regulatory exemptions currently available to SMEs to small “mid-cap” companies (SMCs) as well. This is a welcome step for scaling European AI companies that would otherwise risk losing support measures precisely at the point when they are growing and competing internationally.

6. Reduced Overlap with Sectoral Legislation

The Parliament has emphasised that the obligations under the AI Act should be less stringent for products that are already subject to comprehensive sector-specific EU product safety regulations, such as those governing medical devices, radio equipment, and toys. The Council, in turn, has mandated the Commission to provide guidance to assist economic operators of high-risk AI systems covered by sectoral harmonisation legislation in complying with the requirements of the AI Act while minimising the compliance burden. This is a direct response to industry concerns about redundant/overlapping compliance obligations and regulatory uncertainty in areas where the AI Act intersects with existing product safety frameworks.

7. What Comes Next: Legislative Timeline

The European Parliament's plenary vote on its mandate took place on 26 March 2026. Following this adoption, trilogue negotiations between the Parliament, the Council, and the Commission will now begin. Given the strong alignment between the co-legislators' positions on core issues, particularly the fixed application dates and the nudifier ban, there is reason to expect that negotiations could proceed relatively swiftly.

8. What This Means for Your Business

While the Omnibus on AI brings welcome breathing room, it is not a reprieve. Companies should not mistake the



postponement of high-risk deadlines as a signal to defer their compliance preparations. On the contrary, the additional time should be used strategically:

- **Compliance readiness remains urgent.** The new deadlines of December 2027 and August 2028 will arrive quickly, particularly for organisations that need to conduct conformity assessments, compile technical documentation, implement risk management systems, and establish human oversight mechanisms.
- **AI governance must be established now.** Obligations that are already in force, including those relating to prohibited AI practices, AI literacy, and GPAI model transparency, are not affected by the Omnibus and continue to apply. Once adopted, the new nudifier ban will add to the list of banned practices.
- **Contractual frameworks need closer attention.** The evolving regulatory landscape, particularly with regard to the allocation of responsibilities between providers and deployers, has direct implications for how AI-related contracts are structured. Terms of service, procurement agreements, and partnership arrangements should reflect the allocation of responsibility as regulated under the AI Act.
- **Sectoral interplay requires expert navigation.** For companies in regulated industries such as healthcare, financial services, automotive and others, understanding how the AI Act interacts with existing sectoral legislation is mission-critical. The promised Commission guidance will help, but companies should not wait for it to begin their own gap analyses.

We will continue to track developments in AI governance and law and provide further insights.

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