Position Paper

EU Digital Omnibus on AI

January 2026

Executive Summary

AFME welcomes the initiative to address key issues with the EU AI Act[1] via the Omnibus proposal on AI[2] ("the AI Omnibus"). Our recommendations are as follows:

1. Delaying the compliance deadline for High-Risk AI Systems should be the highest priority:
- Paragraph 31: Simplify the delay to High-Risk AI obligations and prioritise its delivery, by separation from the rest of the AI Omnibus if necessary. A fixed delay to December 2027 and a clear timeline for the publication of final guidelines and standards as early as possible in 2026 would be a more effective way of providing certainty to industry. A provision should also be included to further extend the deadline in case the final guidelines and standards are not available by end-2026.

2. In respect of other aspects of the Omnibus, we recommend that the co-legislators:
- Paragraph 4: Ensure maximum harmonisation of Member States' AI literacy initiatives.
- Paragraph 5: Reference the General Data Protection Regulation (GDPR)[3] in place of the rules on the processing of personal data by AI systems/models. Then, ensure that further work is undertaken on the interplay between the two regulations and on how the GDPR could be updated to better support AI development.
- Paragraphs 6, 14 and 32: continue with the removal of the obligation to register AI systems under Annex III where they are exempted from classification as high-risk.
- Paragraph 30b: Simplify the extension to the compliance deadline for machine-readable markings in AI generated output in AI systems.

3. While not directly addressed in the AI Omnibus, we also raise concerns about a fragmented supervisory approach for financial services. We call upon Member States to finalise their arrangements, using existing financial authorities wherever possible.

Context: AI adoption in European capital markets key for EU competitiveness

We support the Commission's focus on stimulating and supporting AI uptake across industries[4]. For the EU to remain competitive globally, it must ensure that its financial institutions can deploy AI effectively and responsibly. We note that the aim of the AI Act is expressed in Recital 1 as *"…to promote the uptake of human centric and trustworthy artificial intelligence…and to support innovation."*

We therefore welcome the Commission's acknowledgment that implementation challenges with the AI Act have emerged and its desire to address these via the AI Omnibus.

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[1] Regulation (EU) 2024/1689
[2] https://digital-strategy.ec.europa.eu/en/library/digital-omnibus-ai-regulation-proposal
[3] Regulation (EU) 2016/679
[4] We note the EU's AI Continent Action Plan https://digital-strategy.ec.europa.eu/en/library/ai-continent-action-plan and Apply AI Strategy https://digital-strategy.ec.europa.eu/en/policies/apply-ai

1. Delaying the High-Risk AI Obligations

The timeline set for the AI Act was always extremely ambitious. As noted in the AI Omnibus, effective implementation has been impacted by *"delays in designating national competent authorities and conformity assessment bodies, as well as a lack of harmonised standards for the AI Act's high-risk requirements, guidance, and compliance tools"*, which also risk imposing higher compliance costs on industry. While the industry is already working hard on implementation, and will continue to do so, we welcome this acknowledgement and support the consideration of a delay to the implementation date of August 2026 for obligations relating to high-risk AI systems under Annex 3.

However, we are concerned that the delay as proposed in paragraph 31 of the AI Omnibus does not sufficiently mitigate the issues identified and creates additional uncertainty for firms. For instance, we note that:

- A 6-month implementation timeline from the finalisation of any set of guidelines or standards, even though this may delay the implementation date beyond August 2026, is very short from a practical perspective and will be extremely challenging for firms to meet. A longer implementation period would be more suitable, given the highly technical nature of the subject area.
- Making the delay contingent on the publication of final guidelines and standards, particularly where no timeline for their publication has been imposed or set out, means that firms will be working towards multiple unknown compliance deadlines. This adds unnecessary operational complexity and uncertainty. For example, we understand that the guidelines on high-risk AI obligations will be separated into at least two releases, meaning that firms may be required to implement parts of the high-risk AI obligations to different timelines.
- The lack of a timeline for publication of final guidelines and standards also means that it is unclear whether the AI Omnibus would be passed in time for a delay to be applicable to all outstanding publications, or whether some will retain the original August 2026 deadline.
- Finally, we note that several Member States are yet to designate market surveillance authorities, the completion of which must precede the imposition of implementation dates on industry.

In addition, the wording of the delay has given rise to uncertainty as to how it applies in practice. For instance, Recital 21 of the AI Omnibus refers to an "individual unit" of a high-risk AI system. We would appreciate clarification as to whether this refers to (a) the same high risk AI system and the same version and functionality but additional sales to new customers, or indeed (b) the same high risk AI system and high-level functionality but with potential upgrades to the version that may include enhancements without design changes.

<u>AFME Recommendations</u>: We support the intention to delay the high-risk AI obligations and urge the co-legislators to:

- Impose a fixed delay to 2 December 2027 and set a clear timeline for the publication of final guidelines and standards as early as possible in 2026, as well as for the designation of market surveillance authorities by Member States. This would allow industry to fully benefit from that delay;
- Make provision for a further extension if the publication of final guidelines and standards is not complete by end-2026;
- Clarify exactly what falls within the delay, in relation to the scope of units of AI systems; and
- Separate the delay to the high-risk AI systems from the rest of the AI Omnibus to accelerate the final position on the delay. Firms are in the process of working towards the August 2026 deadline for obligations relating to Annex III high risk systems and need certainty as soon as possible to adapt their implementation plans as necessary.

2. Comments on Other Aspects of the AI Omnibus

AI Literacy

Paragraph 4 moves onto Member States and the Commission a provision to encourage AI literacy. AFME supports that central authorities should be leading these efforts, although we are concerned that, without strong central coordination, there could be differing implementation between Member States. We also note that the obligation does not currently extend to providers of General Purpose AI (GPAI).

AFME Recommendation: AFME recommends that AI literacy initiatives are centrally coordinated and/or guidance is given to Member States to ensure maximum harmonisation.

Personal Data Processing

Paragraph 5 introduces a new Article 4a on processing of special categories of personal data for bias detection and mitigation to replace Article 10(5). We support the intention to further consider how processing of special categories of personal data may be undertaken in relation to AI. However, we suggest that, for clarity, it would be preferable to reference the GDPR on this topic under the AI Act. We would then also be supportive of further work being undertaken on how the two regulations interact and how the GDPR could be updated to better support the development of AI, without compromising on data safeguards.

AFME Recommendation: AFME recommends that GDPR should be referenced in place of the rules on the processing of personal data by AI systems/models. Then, we suggest that further work be undertaken on how the GDPR could be updated to better support AI development.

Registration of AI Systems

Paragraphs 6, 14 and 32 of the AI Omnibus remove the obligation to register AI systems under Annex III where they have been exempted from classification as high-risk under Article 6(3). We strongly support this amendment, as it will remove an unnecessary administrative burden.

AFME Recommendation: AFME supports the removal of the registration obligation for AI systems exempted from classification as high-risk under Article 6(3).

Machine-Readable Markings in AI-Generated Output

Paragraph 30b amends the compliance deadline for machine-readable markings in AI generated output in AI systems including multi-modal systems which are already on the market before August 2026. We support the extension of the compliance deadline but note that changing the deadline for only some AI systems is likely to cause operational complexity for industry and supervisors. For instance, we see that first generation AI systems already on the market which give access to a Large Language Model (LLM) will be subject to the new compliance deadline. However, downstream developers of second-generation AI systems which use these GPAI systems to build AI systems/use cases after August are not, even though the core technology derives from the LLM /GPAI System provider. We also note the possibility that financial institutions could qualify as providers of AI systems generating such content. For example, this could occur when they integrate a GPAI model into an AI system and use that system to generate this type of content, whether for internal use or external publication.

AFME Recommendation: Rather than imposing different deadlines based on a technical distinction, we suggest that the relief is expanded to cover new AI systems which are developed using GPAI systems placed on the market prior to August next year.

3. Financial Services Supervision – Concerns Regarding Fragmentation

While supervision is not specifically addressed in the AI Omnibus, we are concerned that the EU AI Act's proposed supervisory architecture introduces unnecessary complexity that risks fragmentation and supervisory inconsistency, particularly for financial institutions already subject to robust supervisory oversight. Specifically, directing the Member States to designate at least one (but potentially multiple) market surveillance authority(ies), in addition to a notifying authority, under the AI Act creates potential overlap and coordination challenges.

We note the recent European Parliament resolution of 25 November 2025 on the impact of artificial intelligence on the financial sector (2025/2056(INI))[5]. The resolution *"recognises the challenges arising from having multiple supervisory agencies"* being responsible for supervising financial entities in relation to different aspects of the AI Act and *"the challenges arising from the differing legal interpretations and expectations of the various supervisory agencies, which could lead to the fragmentation of the single market"*.[6] This has also been noted by the EBA as part of its AI Act mapping exercise.[7]

For financial institutions, the existing financial markets authorities should be assigned by the Member States as the lead authority for AI-related oversight of *all* AI systems used by financial institutions, including with respect to financial and operational use cases of AI tools. These financial markets authorities already have access and insight to financial institutions' operational structures, risk management systems, and internal governance processes, established relationships with key decision makers, and already conduct comprehensive assessments of governance, model risk, data, and operational risk. This infrastructure can be effectively leveraged for AI oversight without creating an overlapping set of structures and relationships.

To avoid fragmentation of the market in the EU and reap the benefits of the single market, the EU AI Office should oversee implementation to ensure consistency of the implementation of the Act and avoid national gold plating.

AFME Recommendation: We call upon Member States who have not yet finalised their supervision models to appoint existing financial markets authorities as the lead authorities for AI-related oversight for financial institutions. We also encourage the AI Office to ensure harmonisation of approaches between supervisory bodies across the Union.

Conclusion

We welcome the opportunity to provide our input on the AI Omnibus proposal and would be happy to discuss any of the above issues further.

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[5] https://www.europarl.europa.eu/doceo/document/A-10-2025-0225_EN.html
[6] Ibid, paragraph 14
[7] https://www.eba.europa.eu/sites/default/files/2025-11/d8b999ce-a1d9-4964-9606-971bbc2aaf89/AI%20Act%20implications%20for%20the%20EU%20banking%20sector.pdf