LUMO INSIGHTS

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Global AI oversight tightens as regulators and courts raise the stakes

Executive Summary

In the past 48 hours, global authorities have escalated their focus on AI regulation and risk. Europe is finalising new AI Act rules (www.europarl.europa.eu [1]789329_EN.pdf#:~:text=Digital%20Omnibus%20on%20AI%3A%20Adoption,the%20June%202026%20plenary%20session)), G7 regulators are uniting on enforcement (www.techtimes.com [2]), a German court set a precedent by holding Google liable for AI generated misinformation (legalnewsfeed.com [3]), and the US government has, for the first time, shut down access to a cutting edge AI model on security grounds (www.anthropic.com [4]). Each development underscores that governing AI responsibly is an urgent, top level priority for enterprises.

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Europe & UK adjust AI governance strategies

European regulators are fine tuning the EU's landmark Artificial Intelligence Act (AI Act) as key compliance deadlines approach. Parliament and Council negotiators reached a political agreement in May on a "Digital Omnibus" amendment package to the AI Act (www.europarl.europa.eu [1]789329_EN.pdf#:~:text=Digital%20Omnibus%20on%20AI%3A%20Adoption,the%20June%202026%20plenary%20session)), which is expected to be formally adopted in the ongoing June session. The package responds to delays in AI technical standards and concerns over the high burden of compliance. It proposes to postpone rules for high risk AI systems and transparency (such as output "watermarking" requirements), and introduces a ban on so called nudifier apps (AI tools that generate non consensual intimate imagery) (www.taylorwessing.com [2]).

The most critical impact for companies is the extension of certain AI Act deadlines, granting a brief reprieve. For example, some compliance obligations for "high risk" AI systems may be deferred by up to 16 months, pushing requirements into late 2027 or 2028 for certain AI products (www.globalpolicywatch.com [3]) (www.europarl.europa.eu [4]789329_EN.pdf#:~:text=existing%20deadlines,for%20the%20obligation%20to%20mark)). This gives enterprises more time to implement essential measures such as rigorous testing, documentation, and ensuring their AI models meet forthcoming EU standards. However, the core principles and obligations of the AI Act remain intact, and the August 2026 date when many high risk

rules kick in still looms.

Meanwhile, the United Kingdom is charting a different course. The UK government has reportedly decided to delay any new AI specific legislation and even to rebrand its planned "AI Safety Institute" as an "AI Security Institute," shifting focus from online safety and ethical issues to policing crime and national security risks. This signals a more laissez - faire, "pro innovation" stance aligned with the current U.S. approach to AI governance, emphasising AI development and security concerns over broad new regulations.

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Global regulators team up on enforcement

As world leaders met at the G7 Summit in Évian, France, their respective regulators were gearing up for a collective push on AI oversight. France’s data watchdog (CNIL) will host a special G7 data protection authorities meeting on June 23 to coordinate cross - border AI enforcement strategies (www.techtimes.com [1]). Over four days in Paris, regulators from all G7 nations - along with EU officials - will share cases and align their approaches to ensure AI developers and users can’t evade accountability by exploiting gaps between jurisdictions (www.techtimes.com [2]).

A top priority on the G7 regulators’ agenda is closing the “jurisdictional loopholes” companies have used to route data and AI operations through countries with looser rules (www.techtimes.com [3]). With the EU’s AI Act high risk provisions just weeks away from taking effect, the G7 coalition aims to present a united front in enforcing rules around AI transparency, safety, and data protection. This is the first concerted effort by G7 regulators to act in unison on AI oversight, moving beyond political statements to practical enforcement cooperation.

Other international bodies are also ramping up AI oversight. The Financial Stability Board (FSB) warned this week that advanced AI models could increase cyber and systemic risks in the financial sector and announced plans to issue new “sound practices” guidelines for financial institutions adopting AI (www.investmentexecutive.com [4]). Together, these moves indicate that regulators globally are not only crafting rules but also actively coordinating on enforcement across borders and industries. Enterprises operating internationally should anticipate more harmonised expectations and joint investigations of AI related risks.

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Courts expand AI liability for companies

A landmark legal decision in Germany is signalling that companies can be held to account for harms caused by AI outputs. In late May, the Regional Court of Munich ruled that Google is directly responsible for false and defamatory information produced by its new AI generated search summaries (known as AI "overviews") (legalnewsfeed.com [1]). In this case, Google's AI had erroneously linked two publishers to scams and illicit business practices, and the court issued an injunction barring Google from displaying those AI generated false statements. Crucially, the judges treated the AI's output as equivalent to Google's own content, rejecting the company's argument that users should double - check AI results themselves (the-decoder.com [2]).

This appears to be the first court ruling anywhere that holds a tech provider liable for content created by an AI system (www.technology.org [3]). Legal analysts warn that the decision could set a precedent with far reaching implications, potentially extending "publisher" liability to any company deploying generative AI features that output content to the public (www.technology.org [4]). Google has already announced it will appeal the ruling (nerova.ai [5]), but the case highlights a broader trend: regulators and courts are increasingly unwilling to accept "the algorithm did it" as a defence for AI - related harms.

Enterprises offering AI powered services or relying on AI to make decisions should take note. Whether it's an AI chatbot interacting with customers or an algorithm making hiring or credit decisions, companies may be held accountable for biased, incorrect, or harmful outcomes generated by AI. To mitigate legal risk, businesses must strengthen oversight of AI systems, ensure rigorous validation and fact - checking processes, and be prepared to swiftly correct any AI-driven errors before they cause harm.

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National Security triggers an AI clampdown

In an unprecedented move, the US government has directly intervened to shut down access to an advanced AI system over national security concerns. On June 12, AI startup Anthropic announced it was forced to disable its two most powerful large language models - named Fable-5 and Mythos-5 - after receiving a sudden export control directive from the US Department of Commerce (www.anthropic.com [1]). The order bars any foreign national, whether abroad or on US soil, from accessing these AI models, effectively compelling a global halt to the services (www.anthropic.com [2]). Anthropic complied and took the models offline worldwide, while publicly questioning the decision and warning that the government's action was misguided (techcrunch.com [3]).

The extraordinary restriction comes on the heels of Anthropic's own disclosures about the capabilities of its latest AI. The company had kept its "Claude Mythos-5" model in limited release because of its exceptional ability to discover software vulnerabilities and other potentially dangerous capabilities (techcrunch.com [4]). Ironically, those safety warnings may have prompted regulators to act: the

government appears to be treating cutting - edge AI models as sensitive dual use technologies that could be exploited by adversaries or pose broader security risks.

For enterprises, this incident is a stark reminder that AI innovation can be abruptly stymied by government intervention. Companies developing or using advanced AI, especially those with international operations, must monitor geo-political regulatory signals and ensure compliance with export controls and security reviews. Contingency plans are essential when relying on third party AI services: firms should be prepared for sudden restrictions or demands from authorities, and invest in governance measures (like thorough risk assessments and controlled deployment of powerful AI models) to avoid unwanted surprises.

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Global AI Safety benchmark for governance

The past two days also saw a significant step towards international alignment on AI risk management. A collective of more than 30 countries and international organisations - guided by renowned AI experts including Turing Award winner Yoshua Bengio - released the 2026 International AI Safety Report (library.iaseai.org [1]). Published on June 15, this comprehensive report synthesises the latest research on general - purpose AI capabilities, emerging risks (from misuse of AI in cybercrime to systemic societal challenges), and the adequacy of current governance across jurisdictions (aigovernance.com [2]). It establishes a shared baseline of facts and safety benchmarks that governments are expected to use as groundwork for upcoming AI policies and standards (aigovernance.com [3]).

Several key findings from the report carry direct implications for businesses. For instance, AI adoption has been rapid: at least 700 million people worldwide are now using leading AI systems every week (www.prnewswire.com [4]). However, malicious uses of AI are rising in parallel. The report highlights the proliferation of AI-driven fraud and "deepfake" scams, as well as the spread of non - consensual AI-generated imagery (with 19 of 20 known "nudifying" apps targeting women) (www.prnewswire.com [5]). One striking insight is that the biggest risks may not stem from AI models themselves, but from the complex systems and use cases built around them (www.ibm.com [6]) - meaning that poor implementation or oversight of AI in business processes can be more dangerous than the algorithms alone.

For corporate leaders, the International AI Safety Report serves as a strategic warning sign. Though not legally binding, its government-backed recommendations and risk assessments are likely to heavily influence regulators and industry standard-setters worldwide (aigovernance.com [7]). Enterprises should proactively benchmark their AI governance frameworks against these emerging global safety standards now. By aligning internal practices with the report’s guidance on risk assessment, transparency, and human oversight, companies can better anticipate the direction of future compliance obligations and avoid being caught off guard as formal regulations evolve.

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Key Statistics

- At least 700 million people worldwide now use leading AI systems each week ([www.prnewswire.com](https://www.prnewswire.com/news-releases/2026-international-ai-safety-report-charts-rapid-changes-and-emerging-risks-302677298.html#:~:text=technologies%20like%20the%20personal%20computer%2C,deepfakes%20are%20on%20the%20rise)).
- EU AI Act violations can draw fines up to €35 million or 7% of global annual turnover ([artificialintelligenceact.eu](https://artificialintelligenceact.eu/article/99/#:~:text=Non,financial%20year%2C%20whichever%20is%20higher)).
- Over 30 countries and 100+ experts collaborated on the 2026 International AI Safety Report ([library.iaseai.org](https://library.iaseai.org/reports/international-ai-safety-report-2026/#:~:text=library,largest%20global%20collaboration%20on%20AI%E2%80%A6)).

KEY TAKEAWAY

For boards and senior executives, AI governance has become a board level mandate, not an optional initiative. Regulators worldwide are tightening AI rules while courts expand liability ([www.swfte.com](https://www.swfte.com/blog/ai-safety-report-2026-enterprise-guide#:~:text=The%202026%20International%20AI%20Safety,that%20delay%20face%20mounting%20regulatory)), making robust AI risk management a non negotiable priority.

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