



## **Advanced Computing Regulations - An Increased Focus for Brand Owners**

Many AGMA members are American companies listed on the US stock exchange and subject to US laws and regulations. This includes global trade controls and export controls imposed by the US federal government. These can be outright embargoes which prevent American businesses from doing business with entities located in (or associated with) certain foreign countries, or nationals of those countries. They can also include sanctioned companies or parties, such as terrorist organizations. On top of this, the US government may impose controls on certain specific products, such as certain components used in artificial intelligence supercomputing use cases. For such products, there is no monetary threshold, meaning all orders are subject to trade restrictions.

Over the past year, the US government regulatory focus has magnified with respect to high-power computing products, such as graphic processing units (GPUs). GPUs, like CPUs (central processing units), are silicon-based microprocessors, analogous to the “brain” of the computer. While a CPU can be made up of multiple processing cores, the GPU can have many smaller, but more specialized cores, coordinating together to deliver tremendous computing power, useful in executing intensive Artificial Intelligence (AI) workloads. As a result, first under the Biden administration and most recently continued



under the Trump presidency, the US government has instituted anti-diffusion regulations with regards to these high-powered chips.

Subsequently, US companies must control the sale of these products to ensure compliance with American trade controls that restrict the sale and distribution of these products. Often times, the onus goes beyond responsibility for ensuring that customers are not restricted parties, but brand owners must also be prepared to validate how its customers will use the products, to ensure the products do not fall into the wrong hands.

Traditionally, gray market diversion risk has primarily been about customer satisfaction, fair channel conditions, and preventing margin damage. However, regulatory risks also need to be factored in, and no more so than in throes of our current supercomputing boom. As datacenters evolve, neoclouds form, and customers look to more diversified ways to power their data processing potential, so must the serious brand protection program develop in stride.

Although the risk landscape is rapidly changing, one thing is certain –government regulators are clearly trending in one direction. The regulations and requirements will be stricter and more demanding, and they will likely not loosen. Other governments are following the lead of the American trade controls. The landscape is becoming increasingly more nuanced.

What new best practices have already emerged? What are the risks of being left behind? How big could the potential brand impact be? Explore questions like these, and many more, as AGMA dives into the newest brand protection hotspot. With more and more stringent demands on brand owners likely to emerge, AGMA members should prepare to tackle these new existential questions. AGMA will feature upcoming blog posts about these new diversion risks.