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INSTITUTE OF  
REGULATION



Discussing the Impact of AI on UK Regulators

July 2023

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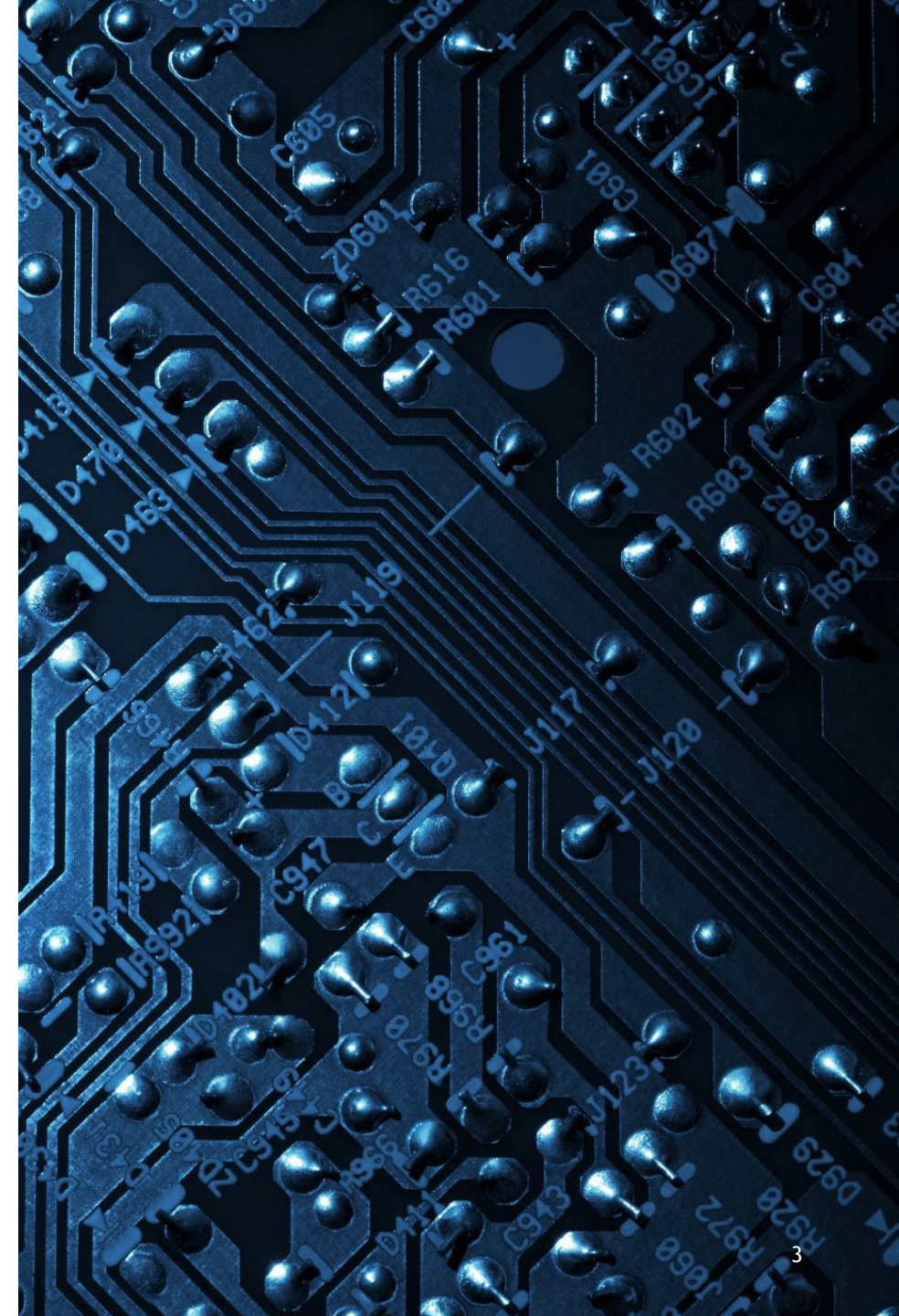
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## Roundtable background

In April 2021 the UK Government published its AI Regulation white paper “Regulation of Artificial Intelligence: Proposals for a New Legal Framework” setting out and seeking input on various regulatory proposals. And then in March 2023, the newly formed Department for Science, Innovation and Technology (DSIT) published a white paper outlining its plans to regulate general purpose artificial intelligence, which included the decision not to give responsibility for AI governance to a new single regulator but instead called on existing regulators, using their current powers, to come up with their own approaches that best suit the way AI is being used in their sectors.

Recognising the potential challenges and opportunities this presented, on Monday 17<sup>th</sup> July, Deloitte in partnership with the Institute of Regulation, hosted a roundtable, convening Deloitte experts in AI & Regulation, together with senior leaders from several key UK regulators and UK Government to discuss the emerging challenges of AI for Regulators.



## Challenges Faced by UK Regulators

Three challenges were identified at the Roundtable discussion



## Challenge 1 - How can UK regulators do what is required and being asked of them?

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### Discussion Topic

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There is no new funding, inadequate understanding of AI within most regulators, legislative gaps within a fast-moving area where many are expressing concerns that we are almost too late to act.

This discussion focused on how ready UK regulators are, and what can be done to close the gap between current capability and capacity and what is needed.

### Key Take-aways

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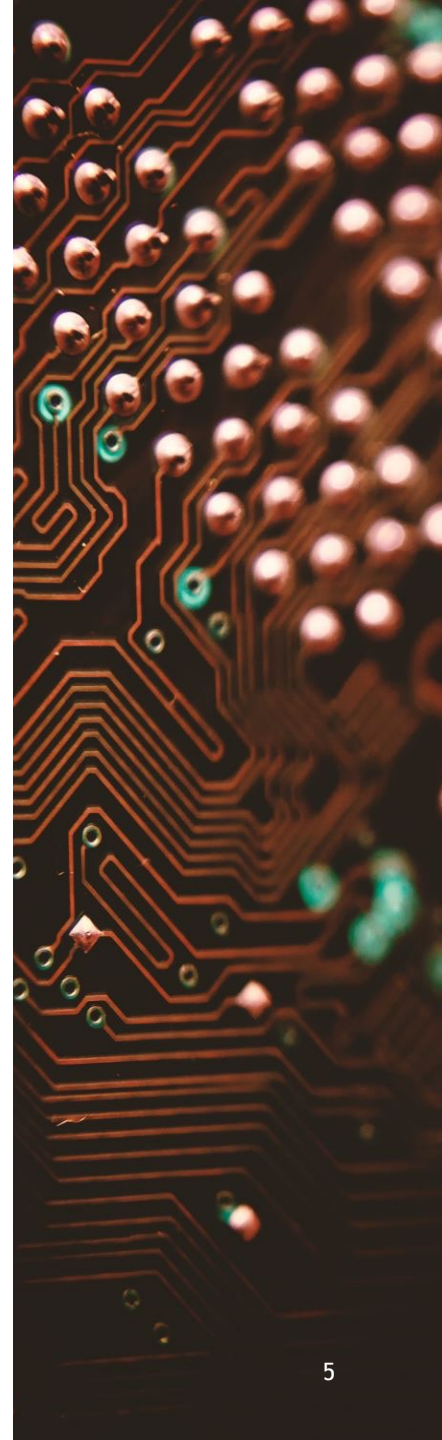
AI leads within Regulators are developing niche specialisms that are becoming attractive to the market and increasingly difficult to retain.

Individualised approaches to AI within Regulators were felt to be sub-optimal with a desire to explore shared/ pooled resource models of AI Expertise across Regulators.

Is there a 'resource' hump to get over in responding to the challenge or is a further acceleration of digital transformation required?

Whilst the Government's overall approach is right, if this is a priority then it needs significantly more investment.

This requires a broad cross-sector upskilling – should we introduce a recognised Government Pathway Profession?



## Challenge 2 – How can regulators work collaboratively given different regulatory frameworks?

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### Discussion Topic

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How should regulators work together to ensure that they combine forces to understand and regulate AI, wherever it manifests, and ensure effective cross-border working too, whether with the EU's regulatory framework or with jurisdictions in North America and Asia?

AI might outwit even the most sophisticated regulator if it is acting alone.

As part of this discussion, we explored ideas for cross-cutting working domestically and internationally.

### Key Take-aways

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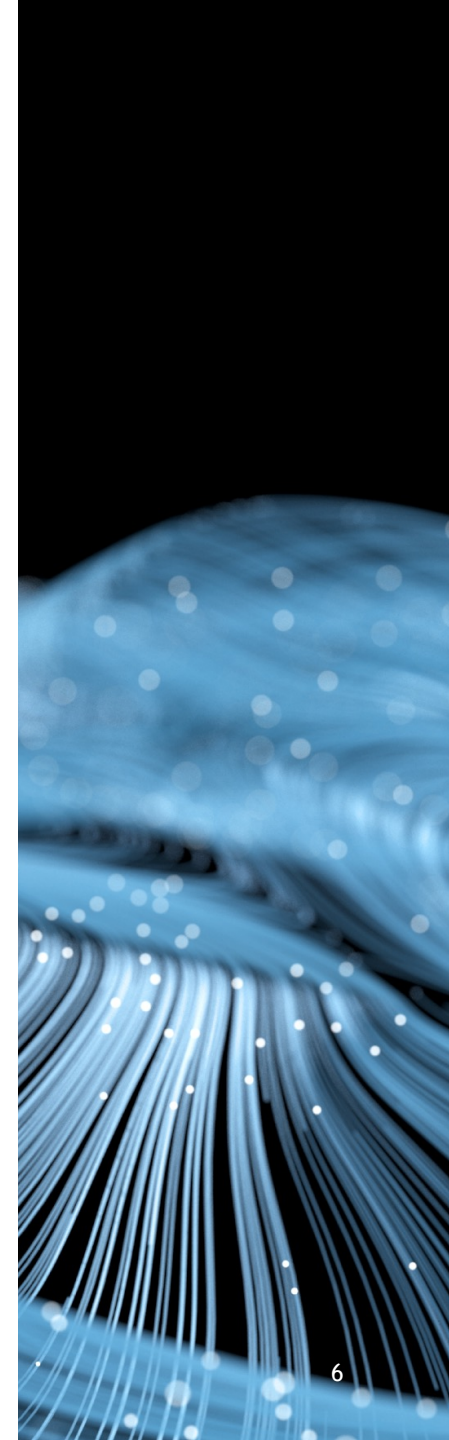
Potential to establish regulatory sandboxes that can model impacts across regulatory boundaries

Collaboration opportunities on specific cross-cutting use cases e.g. unstructured digital notes into reports, complaints handling, etc.

Opportunities for regulators to pool purchasing power on sector agnostic regulatory tools and processes

UK Government is trying to promote international interoperability and coherence between different approaches

Where trade-offs are required, collaboration is limited by constraints imposed by individual regulators' statutory objectives, existing legal frameworks, and policy/decision making



### Challenge 3 - How can AI be leveraged to improve regulatory outcomes?

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#### Discussion Topic

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As well as posing challenges, AI could also give regulators opportunities to regulate better and faster, drawing on data and large language models potentially to identify non-compliance.

This discussion centred around what regulators need to know to take advantage of these opportunities, and how knowledge of AI can spread through the regulatory community so that it can be used to improve and not just threaten regulatory outcomes.

#### Key Take-aways

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There is a significant opportunity, however engagement in the topic is still overly dependent on a small number of individuals with an interest

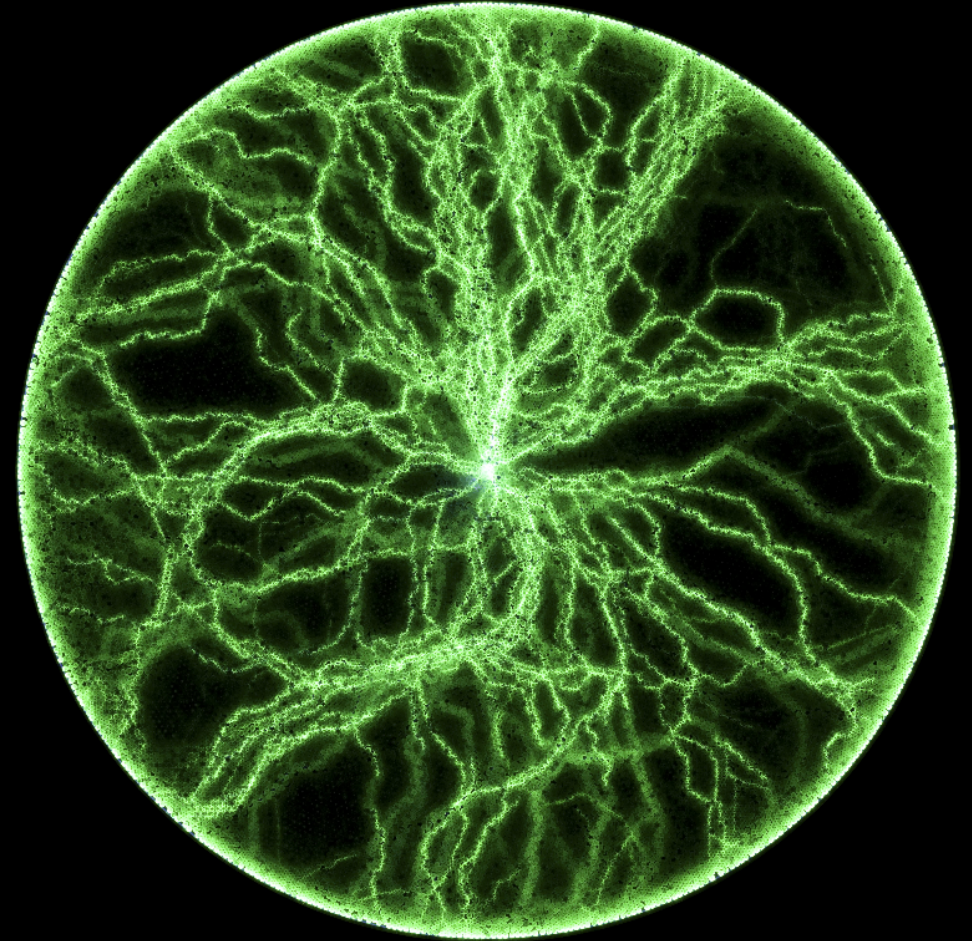
There are clear operational efficiencies, however regulators are already grappling with challenges across both structured and unstructured data so capitalising on AI will require significant investment

Consideration for the role of Regulators Pioneer Fund (or equivalent) to help regulators embrace AI

Opportunity for the Office for Artificial Intelligence in DSIT to support regulators to think through and align on common use cases

## Cross-cutting themes that emerged

There were three themes that were reflected throughout the discussion and should be carefully considered as part of the impact of AI on Regulation.





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## **Theme 1 - Regulators are already being left behind**

One of the key concerns raised was of the gap between sectors and society being larger than ever, with members of the public free to use AI tools such as ChatGPT, whilst many organisations have ruled against their use until longer term strategies are developed. This is being acutely felt within regulators who feel they are already 'behind the curve' and, if left unchecked, this could inhibit growth and leave them struggling to keep up with the industries they are trying to regulate and public they are trying to protect.

We heard how regulators might learn from experiences of other regulators dealing with AI in their operating environments. In addition, AI innovators are entering new markets and not always understanding that they are subject to regulation, often in multiple jurisdictions. This creates an education gap and a challenge for regulators remaining relevant to the needs of a changing operational environment. With the regulator-led approach being the status quo for many years, is this still the correct approach where innovation is often being led by external forces?

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## **Theme 2 - Legislation plays a central role**

The subject of legislation came up throughout the day, ranging from AI highlighting and exacerbating outdated legislation issues through to the associated costs and impacts of legal support and litigation.

Within the context of healthcare, we explored the increasing tension between automation and judgement leading to liability issues where a professional might rely on AI to inform decisions.

In addition, we discussed decision making more broadly. The ability to make transparent and accurate decisions is at the heart of all regulators and the ability to trace the lineage of decisions made may become increasingly blurry.

We heard about the progress in the creation of the EU Artificial Intelligence Act, where the EU is taking a risk-based approach, with High-Risk AI Systems having to comply with mandatory requirements to be able to access the EU Market.

This opened up a discussion about the extra-territorial challenges presented by AI, where entities may be offering services in multiple jurisdictions, posing a legislative conundrum for regulators and national governments, therefore meaning greater international collaboration is essential.

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### **Theme 3 - It is clear that AI represents a number of opportunities for regulators**

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It was acknowledged that the role, remit, and reliance of regulators on AI is fundamentally transforming the landscape, and whilst the challenges were many the potential opportunities were also significant.

It was felt that AI could enable and equip regulators to regulate faster, better, and more efficiently. A potential use-case that was felt to be common and beneficial across the group was the ability to draft reports quickly, using multiple sources of data, allowing regulators to, for example, free up organisational capacity.

Whilst there are potential challenges that AI might present when it comes to decision making in the context of litigation, it was also acknowledged that there was an ability of AI algorithms to analyse and interpret vast volumes of data, identifying patterns and generating insights that at best would take far longer for humans to create or might even have been missed. This forms the basis for more informed, data lead decisions.

Whilst the opportunities were clear, it was recognised that the realisation of benefits associated with AI was likely going to be harder for regulators if they tried to 'go at it alone'. Ideas such as pooling purchasing power when engaging the market and more cross-regulatory sharing of learn lessons will increase their chances.

## Conclusions and Next steps

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procedure FormCreate(Sender:TObject);
procedure TreeViewChange(Sender:TObject; Node:TTreeNode);
procedure EditChange(Sender:TObject);
procedure TreeViewChanging(Sender:TObject; Node:TTreeNode;
var AllowCancel:Boolean);
procedure TreeViewQuery(Sender:TObject; var CanClose:Boolean);
procedure TreeViewKeyDown(Sender:TObject; var Key:Word;
Shift:TShifts);
procedure TreeViewMouseDown(Sender:TObject; Button:TMouseButton;
Shift:TShifts; X:Integer; Y:Integer);
procedure TreeViewMouseUp(Sender:TObject; Node:TTreeNode;
var S:String);
procedure TreeViewDragOver(Sender,Source:TObject; X,Y:Integer;
State:TDragState; var Accept:Boolean);
procedure TreeViewResize(Sender:TObject);
procedure FormKeyDown(Sender:TObject; var Key:Word;
Shift:TShifts);
procedure FormNewKeyPress(Sender:TObject; var Key:Char;
Shift:TShifts);
procedure FormClose(Sender:TObject; var CanClose:Boolean);
procedure FormActivate(Sender:TObject);
procedure FormD23Click(Sender:TObject);
procedure FormMainPanelClick(Sender:TObject);
procedure FormMainPanelClick(Sender:TObject);

procedure GetWinMessage(var Message:TMessage); message MWM_COMMAND;
procedure GetActivateMessage(var Message:TMessage); message MWM_ACTIVATEAPP;
procedure GetMYNOTIFMessage(var Message:TMessage); message MWM_MYNOTIFY;

procedure mipExitClick(Sender:TObject);
procedure mipRestoreClick(Sender:TObject);
procedure StatusBarDrawPanel(StatusBar:TStatusBar;
Panel:TStatusBarDrawPanel; const Rect:TRect);
procedure TreeViewDragDrop(Sender,Source:TObject; X,Y:Integer);
procedure TreeViewEndDrag(Sender,Target:TObject; X,Y:Integer);
```

## Conclusions and Next Steps

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AI has a significant impact on regulators and regulation. With the rapid advancement of AI technology, regulators are faced with the challenge of understanding and keeping up with the complex algorithms and systems that power AI applications.

They must grapple with developing appropriate regulations to ensure ethical and responsible use of AI while also fostering innovation and improving their effectiveness and efficiency.

There is a blurring of sector lines also emerging, with AI often resulting in the oversight of regulators of different sectors focusing on similar issues, creating a need for regulators to collaborate and cooperate, perhaps more than they have ever had to before.

In recognising that fact this collection of regulators agreed that future discussions were critical and the opportunity to reconvene this group and others was welcomed and encouraged.





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