From: Bethan Watts
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Cooperation Forum

Rt Hon. Michelle Donelan MP
Secretary of State for Science,
Innovation and Technology
4th Floor
100 Parliament Street
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5 April 2023

Dear Secretary of State,

ESTABLISHING A PRO-INNOVATION APPROACH TO REGULATING AI

Thank you for your letter of 17 March to me as Interim CEO of the Digital Regulation Cooperation Forum (DRCF) and to the CEOs of the four DRCF member regulators. This letter is a collective response on behalf of us all.

Yesterday, the DRCF announced[1] the appointment of its new CEO, Kate Jones, who will start in her role from 2 May 2023.

We welcome receiving the Department for Science, Innovation and Technology's priorities on digital regulation and your suggestions for the role that could be played by the DRCF in realising these. Many of the same themes will be reflected in the DRCF workplan for 2023/24, as well as our annual report for 2022/23, both due to be published later in April.

We note in particular the Government's immediate priorities in relation to regulation, specifically the legislative reforms of the Data Protection and Digital Information Bill; the Digital Markets, Competition and Consumer Bill; and the Online Safety Bill. A particular focus for the DRCF next year will be to ensure that the member regulators' new and revised digital responsibilities are developed in a way that supports greater clarity and certainty for businesses in the UK.

Further, and as set out further below, we are confident that the work we have planned for the coming year will provide a solid foundation for the Government's new AI regulatory framework and that, by working together, we can maximise the benefits of AI and algorithms for UK citizens, industry and wider society.

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[1] Kate Jones appointed new head of Digital Regulation Cooperation Forum - GOV.UK (www.gov.uk)

The role of the DRCF in supporting the effective governance of AI and algorithms

As part of the DRCF's ongoing programme of work on AI and algorithms, the DRCF has undertaken a range of activities to share best practice in governance and identify new ways of supporting responsible innovation. In the last year, we've hosted a series of capability workshops to develop our own understanding of effective algorithmic auditing methods, as well as undertaking research to identify solutions to the challenges firms face when they procure algorithmic systems. In relation to the latter, we have engaged with a range of large and small technology firms, including Onfido, Revolut, BT, Experian and Google.

We plan to build on these achievements over the course of 2023/24. In our programme of work for next year, the DRCF will:
- Build common understanding and definitions of key principles relevant to the regulation of AI, including fairness;
- Identify and examine the implications of new AI applications across our sectors, including those powered by generative AI;
- Build our understanding of the market for third party algorithmic auditing, and the role regulators could play in supporting the growth of this ecosystem; and
- Explore regulators' interests on issues that support effective AI regulation, including AI standards.

In addition, DRCF regulators also have their own active programmes of work in relation to AI and algorithms, which will feed into their contributions to the DRCF's programme of work in this area.

I. Facilitating cross-regulator engagement on AI principles

We recognise that the introduction of the Government's non-statutory AI framework will require regulators in the UK to work more closely together, ensuring greater consistency and coordination in the regulation of AI. Your letter asks if there is scope to expand the DRCF's activities to support the wider regulatory community in enhancing cooperation, research and knowledge transfer on AI.

DRCF member regulators already share knowledge and best practice on digital issues with the wider regulatory community via our quarterly Regulator Roundtables, attended by ten other UK regulators. The DRCF members also share expertise on AI and algorithms via the Regulators and AI Working Group, which the ICO has hosted since 2019 and which is attended by 27 UK regulators as well as 6 non-regulator bodies.

Looking forward, the DRCF will make a concerted effort to involve other regulators within the activities we have planned as part of our 2023/24 work programme. This could include inviting external participation in our discussions and workshops to debate the meaning of AI principles, such as transparency. It could also mean inviting non-DRCF regulators to participate in our discussions of the opportunities and risks surrounding novel technologies,

such as generative AI. We've also set out below how the work of other regulators could potentially intersect with our work on a multi-agency advice service.

II. Horizon scanning

Your letter also refers to the DRCF's horizon scanning work and asks whether there are plans to cover AI-related topics next year, specifically large language models. As noted above, as part of our work on AI and algorithms, we will also be exploring the implications of generative AI for the sectors we oversee. We would welcome a conversation with government about how it can use work carried out by DRCF regulators to inform the AI monitoring functions it envisages establishing to support the implementation of the AI regulatory framework.

More broadly than this, the DRCF has established an active horizon scanning function and, as part of this, has undertaken investigations into a number of emerging topics and technologies. We have hosted symposiums and published papers on Web 3, quantum technologies, the metaverse and immersive technologies. Our horizon scanning function will continue to explore and build cross-regulator understanding of the impact of emerging technologies with potential for large-scale growth. Business models in virtualised environments (or 'metaverses') and the evolution of digital identity will be two topics of focus in 2023/24. We will also conduct a stocktake after six months and look to identify a potential third topic.

III. Cross-sectoral sandbox

Your letter also refers to government's exploration of a multi-regulator AI sandbox, which could support innovators to get novel products and services to market. You refer to the possibility of the DRCF working with government to establish a new AI sandbox.

We recognise that DRCF member regulators have an important role to play in helping innovators develop safe and trustworthy new AI products and services. There are a range of different approaches to advice services already in existence across UK regulators, such as sandboxes. The ICO's Regulatory Sandbox allows firms to access ICO expertise and support to ensure that their products and services can embed data protection by design, while the FCA's Regulatory Sandbox allows firms to test market propositions with real consumers.

Through our DRCF work, we want to understand how a multi-agency advice service, which would enable interaction with multiple regulators on a single issue, could best be designed in order to best suit the needs of digital innovators.

This year, the DRCF's Enabling Innovation team is undertaking a project running to the end of August 2023 to research, design and pilot a multi-agency advice service that responds to the needs of digital innovators. Our research will explore both the format of a service and the types of issues that are of concern to innovators, which may include AI use cases. We will also be able to gauge whether the service requested by potential users relates to topics where there may be an intersection between DRCF member regulators and other regulators.

It is likely that this project will generate insights that could inform the Government's plans to establish an AI sandbox as part of the new AI regulation framework, as well as similar proposals that have been made in the Vallance Review.

We look forwarding to continuing our close dialogue with your department around the emerging AI regulatory regime and other key pieces of digital regulation.

Yours sincerely,

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