



Digital Regulation Cooperation Forum

2023/24  
Workplan



[Welsh translation available](#)

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# Chair's Foreword



*John Edwards, Information Commissioner & DRCF Chair*

Digital technologies are transforming the UK economy. Rapid developments in technology, such as growing investment in the 'metaverse', digital assets, and the emergence of new generative AI tools span multiple regulatory remits.

At the same time, digital regulation is changing, too. Legislation covering online safety, competition in digital markets, data protection, and financial services, among others, are all progressing, with new responsibilities for regulators within the Digital Regulation Cooperation Forum (DRCF) that we expect to land this year. Navigating all this complex change can be challenging for innovative businesses.

The DRCF is tackling these developments and complexities head on. This workplan sets out our key areas of focus for 2023/24.

We will continue our work to deliver a coherent landscape of digital regulation across our remits. Ofcom is moving to implementing the Online Safety Bill later this year. Further reforms and new responsibilities for DRCF member regulators are on the

horizon through other legislation. We will work to ensure that new and revised responsibilities are developed in a way that supports greater regulatory clarity and certainty for the businesses subject to obligations under these regimes.

We will also encourage best practice around the regulation and audit of algorithms and artificial intelligence, including supporting government as it develops its new AI regulation framework. The DRCF and other regulatory partners have a crucial role to play in supporting the development of AI technology and markets, and we will be engaging on the Vallance Review and AI White Paper proposals over the coming months.

Predicting and preparing for emerging technological trends, through the DRCF's horizon scanning programme, remains a core focus for us. In 2023/24 we will create actionable insights into issues such as digital identity and virtualised environments. We will also research, design and pilot a new multi-agency advice service to support innovative companies who have new products and processes that touch multiple regulatory remits.

Finally, we will continue to share our insights and expertise, and, where possible, partner on these issues widely with stakeholders including industry, government, other regulators, and civil society so that we can foster wider joint working on these complex topics.

We are delighted to have appointed Kate Jones as the DRCF's new Chief Executive and look forward to working with her and the DRCF community in the year ahead.

**John Edwards, Information Commissioner & DRCF Chair**

# 1. Introduction

1.1 The DRCF is a voluntary forum that brings together four of the major UK regulators tasked with regulating digital services:


- the Competition and Markets Authority (CMA);
- the Financial Conduct Authority (FCA);
- the Information Commissioner’s Office (ICO); and
- the Office of Communications (Ofcom).

1.2 We formed the DRCF because efficient and joined-up regulation is key to addressing the complex challenges that digital services and technologies pose. The governance and operation of the DRCF is explained further in our published Terms of Reference. The DRCF has three goals:<sup>1</sup>

- to promote greater **coherence**, so that where regulatory regimes intersect the DRCF helps to resolve potential tensions, offering clarity for people and industry;
- to work **collaboratively** on areas of common interest and jointly address complex problems; and
- to work together to build the necessary **capabilities**, learning from what each regulator is doing and striving to be best in class, both now and in the future.

1.3 Collectively we have a huge responsibility for digital regulation in the UK. We set out our individual remits in this area in Table 1.

**Table 1: Key responsibilities in relation to digital services**

Regulator	Key responsibilities in relation to digital services <sup>2</sup>
	Responsible for promoting competition for the benefit of consumers, the CMA has powers to enforce competition and consumer law, conduct market studies and assess mergers. The CMA has also been tasked by government with overseeing a new pro-competition regime for digital markets, through its new Digital Markets Unit, currently established in shadow form.
	Responsible for regulating the UK financial services industry, including digital markets. The FCA has three operational objectives: <ul style="list-style-type: none"><li>• to protect consumers;</li><li>• promote competition in consumers’ interests;</li><li>• protect and enhance the integrity of the UK financial system.</li></ul>

<sup>1</sup> DRCF: Terms of reference - GOV.UK ([www.gov.uk](http://www.gov.uk)), DRCF September 2022.

<sup>2</sup> This summary is not intended to cover the full comprehensive remits of the regulators but those relating most specifically to the work of the DRCF.

Regulator	Key responsibilities in relation to digital services <sup>2</sup>
	<p>Responsible for upholding people’s rights and freedoms when organisations process their personal data, including protecting children online through the Age Appropriate Design Code (Children’s code). The ICO also has specific regulatory responsibilities regarding the cyber security of UK network and information systems, and in relation to e-privacy and electronic trust services.</p>
	<p>As the UK’s communications regulator, Ofcom promotes the interests of consumers and citizens in relation to communications services – from telecoms and internet provision to content services. As part of this, Ofcom regulates video sharing platforms such as TikTok and Snap, and the incoming Online Safety Bill named Ofcom as regulator for the new online safety regime. Ofcom also has regulatory responsibilities for cyber security and the resilience of UK communications networks.</p>

1.4 The priorities for 2023/24 set out in this workplan have been developed against a backdrop of change:

- Intense technological innovation across the digital landscape is continuing, with high-profile developments such as generative AI potentially posing significant benefits and risks to citizens and consumers. We will be looking to further build our understanding of emerging technologies so regulators can more proactively consider the regulatory issues posed by technological change.
- As Ofcom prepares to implement the Online Safety Bill later this year, and the UK Parliament progresses legislative reforms relating to competition in digital markets, data protection, and financial services, we will focus on ensuring that we can effectively provide regulatory clarity to UK businesses.
- At the same time, government has a broad and active digital agenda, which includes reform proposals on data protection regulation, AI regulatory framework, Online Advertising, and cybersecurity. We expect our workplan over the next year to complement government’s work, by considering how we can work together in these areas where appropriate.

1.5 This workplan builds on the foundations of the DRCF’s work last year set out in our Annual Report. The forum is well placed to play a leading role on many digital regulatory issues within the remit of its members that will matter to UK consumers, citizens, and businesses over 2023/24.

1.6 In Table 2, we summarise the portfolio of work for 2023/24, in line with the DRCF’s goals of promoting coherence, fostering collaboration, and building capabilities across UK regulators.

**Table 2: portfolio of work for 2023/24**

Coherence	<p><b>Online safety and data protection:</b> After the Online Safety Bill passes, relevant online services will need to comply with both online safety and data protection rules. Ofcom will prepare codes of practice and guidance for online services and will consult the ICO, among others, in the preparation of these. The ICO will prepare guidance on data protection expectations for online services about technologies, including content moderation, and will consult Ofcom, amongst others, in its preparation. The ICO and Ofcom will also maintain a close working relationship where their remits intersect, including on the supervision of services, proactive technology, and age assurance.</p>
	<p><b>Promoting competition and data protection:</b> The CMA and the ICO will continue their ongoing engagement and collaboration in this area, focusing on online advertising markets, online choice architecture practices and potential regulatory remedies. We will also aim to update the existing CMA-ICO joint statement on competition and data protection law as our respective regulatory experiences continue to evolve.</p>
	<p><b>Illegal online financial promotions:</b> The Online Safety Bill will require Ofcom to publish guidance and codes of practice for firms. The FCA and Ofcom will continue to work together to create a shared understanding of platforms’ obligations under the Online Safety Bill and financial promotions legislation.</p>
Collaboration	<p><b>Supporting effective governance of algorithmic systems:</b> DRCF members will continue to build a consensus around the application of key principles relevant to the regulation of artificial intelligence (AI) as this technology continues to expand across many areas of society. The DRCF will support government where appropriate as it develops its new framework for the regulation of AI. We will also examine the emerging risks and opportunities connected to those technologies where we see rapid development and deployment, such as generative AI.<sup>3</sup> Further research into and engagement with third party auditors of algorithms – and their role in supporting regulatory compliance – will be carried forward in 2023/24.</p>
	<p><b>Enabling innovation in the industries we regulate:</b> DRCF members will jointly research and pilot a multi-agency advice service aimed at helping innovators in digital markets to develop services responsibly. This work is funded by the Regulators’ Pioneer Fund.</p>
	<p><b>Digital assets:</b> The FCA and the ICO will conduct joint research to build a deeper understanding of consumer attitudes toward digital assets such as non-fungible tokens and crypto coins or tokens, and how they interact with these products. This work will focus on the benefits and harms that digital assets create for consumers, from both a financial services regulation and data protection regulation perspective. The FCA and the ICO aim to publish policy insights that emerge from this research.</p>

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<sup>3</sup> Generative AI creates text, images, music, speech, code, or video based on learning from existing available content.



## Capability

**Joint horizon scanning:** DRCF regulators will continue the horizon scanning of emerging technologies. Where we select topics for further work, we will hold events with external stakeholders and publish insights and findings. This year we are prioritising two topics for further work:

- Digital identity,<sup>4</sup> where we will aim to understand how novel technologies could impact future deployments across online channels, decentralised platforms, and many others.
- Business models in virtualised environments, where we will explore how new businesses, products and services may materialise in virtualised environments, such as metaverse platforms.

**Knowledge sharing networks:** DRCF regulators will convene to discuss additional cross-sector issues affecting our remits, both with each other and regulators outside the DRCF. For example, a new area of work will be to consider the links between our regulatory regimes on cyber security and resilience.

**Attracting talent and developing skills across all four regulators:** This project will consider how we best attract the talent we need for digital regulation and will identify and develop plans for how to build the digital regulation skills required.

**Developing the use of technology in regulation:** DRCF regulators will introduce more practical forms of technical collaboration across regulators, to realise the full benefits of regulatory and supervisory technologies, which can increase our productivity and effectiveness.

**Partnering with others:** Alongside engagement with a wide range of stakeholders, which is central to our work, the DRCF will convene an international community of regulatory authorities with a similar focus to the DRCF, to gather insights into how overseas jurisdictions are approaching cooperation across areas of digital regulation.

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<sup>4</sup> Digital identity is the digital representation of a person's identity information.

## 2. The 2023/24 Workplan

2.1 In this section, we set out our workplan for this financial year in full, within the goals set out in the DRCF's Terms of Reference of coherence, collaboration, and capabilities.<sup>5</sup>

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### Coherence

2.2 The DRCF's work seeks to identify shared opportunities and to resolve potential tensions between digital regulatory regimes, and in doing so, offer clarity for people and industry. Ofcom is preparing to implement the Online Safety Bill later this year, and the UK Parliament progresses legislative reforms such as the Digital Markets, Competition and Consumer Bill and the Data Protection and Digital Information Bill. We will focus on making sure our new and revised powers in these areas work together, and on providing regulatory clarity and certainty to UK businesses.

2.3 We are progressing the following coherence work:

- Ofcom and the ICO will continue joint work on online safety and data protection projects;
- The CMA and the ICO will continue joint work on promoting competition and data protection; and
- The FCA and Ofcom will continue joint work a shared understanding of online platforms' obligations under the Online Safety Bill and financial promotions legislation.

2.4 There are other regulatory matters where DRCF members will work with regulators outside the DRCF and government over 2023/24 to promote coherence across our regimes. Topics include government's proposed Smart Data reforms to enable the secure sharing of data in markets across the economy.<sup>6</sup> DRCF members will also work together on the CMA's implementation of a new pro-competition regime for digital markets under the Digital Markets, Competition and Consumer Bill.

2.5 In addition, the CMA and Ofcom will continue a programme of engagement to ensure the coherence of regulatory decisions relating to competition and consumer law and online safety.

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<sup>5</sup> See footnote 1.

<sup>6</sup> See Part 3 of the Data Protection and Digital Information (No. 2) Bill. [Data Protection and Digital Information \(No. 2\) Bill \(parliament.uk\)](https://www.parliament.uk/bills/2022-23/data-protection-and-digital-information-no-2).



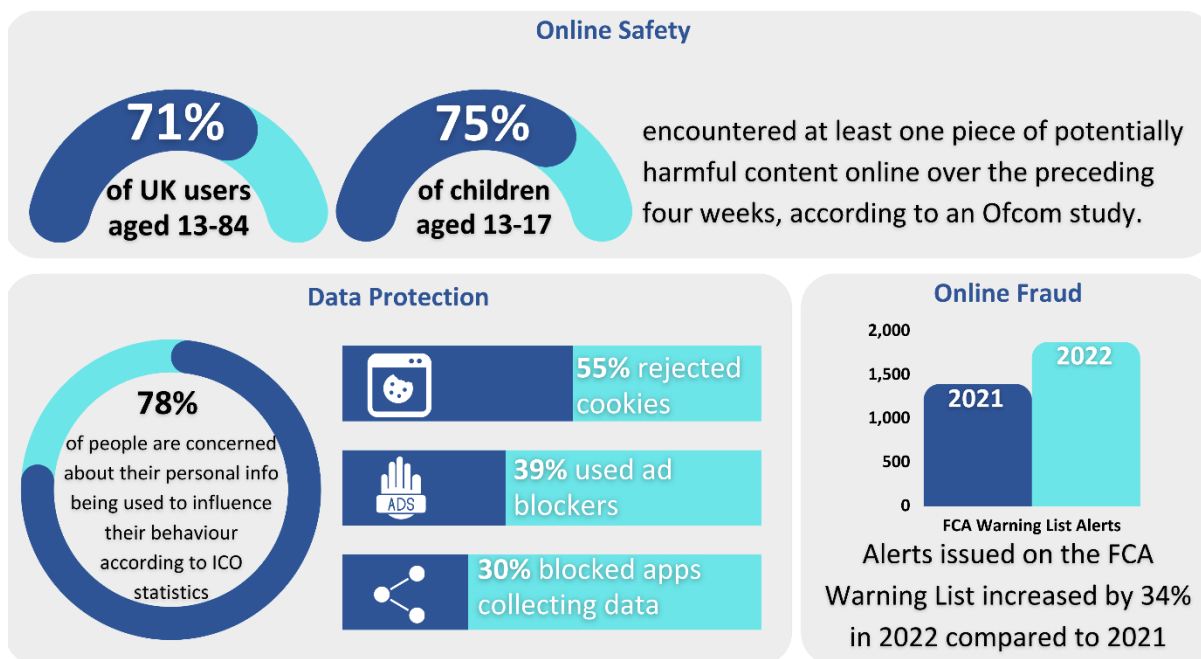


Figure 1: statistics relating to online safety, data protection, and online fraud. All statistics are reiterated in the main body of text.

## Online safety and data protection

- 2.6 Helping make the internet safer for adults and children is a critical part of our work. An Ofcom study found that 71% of all UK internet users aged 13-84 had encountered at least one potentially harmful piece of online content over the preceding four weeks, with this figure rising to 75% for children aged 13-17.<sup>7</sup> Ofcom and the ICO have specific duties in this area. It is essential that online safety and privacy protections work in unison for online users, including children and parents.
- 2.7 In November 2022, Ofcom and the ICO published a joint statement setting out their increased ambition to work together on online safety and data protection. Over the next year, Ofcom and the ICO will consult each other as they develop their respective planned codes of practice and guidance following the introduction of the online safety regime.<sup>8</sup>
- 2.8 In particular, Ofcom and the ICO will:
- maintain a close working relationship to facilitate discussion about their respective supervision and enforcement activities;
  - continue their joint work on safety technologies, including age assurance and proactive technologies;

<sup>7</sup> [Experiences of using online services - Ofcom](#), accessed April 2023

<sup>8</sup> [Online safety and data protection a joint statement by Ofcom and the ICO](#), November 2022

- develop Ofcom’s forthcoming codes of practice and guidance under the online safety regime and develop the ICO’s guidance for online safety technologies such as content moderation, user profiling and behaviour identification technologies.<sup>9</sup>

## Promoting competition and data protection

- 2.9 The CMA and the ICO’s 2021 joint statement outlined the connections between the scope and objectives of data protection and competition regulation.<sup>10</sup> Cooperation between the two regulators is vital to pre-empt or solve any potential or perceived tensions, so that the interests of business and consumers are well served.
- 2.10 Online advertising markets and technology have been the main focus of our regulatory cooperation to date. The CMA and the ICO will continue their shared work to ensure that advertising is served to online users in a manner that fosters competition and upholds individuals’ data protection rights. According to ICO statistics, 78% of people have concerns about their personal information being used to influence their behaviour. This is driving people to exercise control over their personal information, with common actions when online including rejecting cookies when prompted (55%), using ad blockers on websites (39%), and blocking mobile apps from collecting and sharing data (30%).<sup>11</sup>
- 2.11 The focus of CMA and ICO cooperation will also expand into new areas where they can provide greater regulatory coherence for businesses and improve the functioning of digital markets for consumers; for example, around government’s proposals to enhance competition regulation in digital markets and reforming the UK’s data protection framework.
- 2.12 The ICO and the CMA will:
- continue to monitor the effectiveness of Google’s Privacy Sandbox commitments in delivering competition- and privacy-friendly outcomes in online advertising markets;<sup>12</sup>
  - explore opportunities for combining our regulatory expertise and insights when it can support supervisory and investigation activities;
  - publish a joint position paper on online choice architecture practices that lead to competition, consumer protection and data protection harms;

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<sup>9</sup> The Online Safety Bill defines content moderation technology as technology, such as algorithms, keyword matching, image matching or image classification, which— (a) analyses relevant content to assess whether it is illegal content or content that is harmful to children, or (b) analyses content to assess whether it is a fraudulent advertisement.

User profiling technology means technology which analyses (any or all of)— (a) relevant content, (b) user data, or (c) metadata relating to relevant content or user data, for the purposes of building a profile of a user to assess characteristics such as age. Behaviour identification technology means technology which analyses (any or all of)— (a) relevant content, (b) user data, or (c) metadata relating to relevant content or user data to assess a user’s online behaviour or patterns of online behaviour (for example, to assess whether a user may be involved in, or be the victim of, illegal activity).

<sup>10</sup> [Competition and data protection in digital markets joint statement \(publishing.service.gov.uk\)](https://publishing.service.gov.uk), May 2021

<sup>11</sup> [ICO Public Awareness Survey](#), September 2022

<sup>12</sup> The commitments agreed by the CMA with Google in February 2022 address competition concerns about the potential impacts of Google’s plans to remove third party cookies from Chrome and replace them with alternative Privacy Sandbox tools. Updates on implementation of the commitments are available here: [Investigation into Google’s ‘Privacy Sandbox’ browser changes - GOV.UK \(www.gov.uk\)](https://www.gov.uk).

- continue developing our approach to collaboration under the competition, data protection and proposed digital markets regimes which, subject to the progress of new legislation, would see us update our 2021 joint statement; and
- consider how we can jointly assess the potential competition and data protection impacts of regulatory interventions in data-driven markets, such as data sharing or access remedies and browser-based consent reforms.<sup>13</sup>

## Illegal online financial promotions

- 2.13 The threat from online fraud has risen significantly in recent years and shows little sign of slowing. In 2022 the FCA issued over 1,880 alerts on their Warning List compared to over 1,400 alerts in 2021 - an increase of 34%.<sup>14</sup> Consumers have increasingly been exposed to risk via unlawful financial promotions on platforms such as search engines and social media sites. These range from investment scams within user generated content to false or misleading adverts. The FCA has regulated the financial promotions regime for many years and has developed considerable experience in dealing with online platforms on these issues.<sup>15</sup> <sup>16</sup> In light of this, several offences in financial services law will be priority offences under the Online Safety Bill.<sup>17</sup>
- 2.14 The Online Safety Bill will require Ofcom to publish guidance and codes of practice for firms. The FCA and Ofcom will keep working together to create a shared understanding of platforms' obligations under the Online Safety Bill and financial promotions legislation.
- 2.15 In particular, the FCA and Ofcom will:
- share knowledge and experience relating to illegal financial promotions and online fraud as well as risks posed by different types of services in the sector;
  - examine how legislative requirements around financial promotions might best be reflected in Ofcom's development of its Online Safety guidance and Codes of Practice,<sup>18</sup> and

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<sup>13</sup> Regulation 6B of the [Data Protection and Digital Information \(DPDI\) \(No. 2\) Bill](#) proposes a power for the Secretary of State to make regulations that seek to ensure the availability of technology that enables people to effectively express their consent preferences when online. See paragraphs 572 – 578 of the [DPDI\(No. 2\) Bill explanatory notes](#) for further information.

<sup>14</sup>[Financial Promotions Data 2022](#), FCA, February 2023

<sup>15</sup> An offence under any of the following provisions of the Financial Services and Markets Act 2000— (a) section 23 (contravention of prohibition on carrying on regulated activity unless authorised or exempt); (b) section 24 (false claims to be authorised or exempt); (c) section 25 (contravention of restrictions on financial promotion). An offence under any of the following provisions of the Financial Services Act 2012— (a) section 89 (misleading statements); (b) section 90 (misleading impressions).

<sup>16</sup> As set out in the Financial Services and Markets Act 2000 and the Financial Promotion Order 2005 (FPO). Section 21 (s21) of the Financial Services and Markets Act 2000 (FSMA) sets out 'the financial promotion restriction'. This prohibits the communication of a financial promotion unless it is communicated or approved by an authorised person. A breach of s21 is a criminal offence.

<sup>17</sup> Priority offences represent the most serious and prevalent illegal content and activity online. Companies will need to take proactive steps to tackle such content.

<sup>18</sup> [Online fraud and scams - Ofcom](#), March 2023.

- consider wider interactions that this work has with other regulatory regimes, including the ICO's and the CMA's.

## Collaboration

2.16 DRCF members all have individual regulatory duties and challenges, but working together on issues that cut across the regulatory remits helps all members to achieve our goals. Seizing these opportunities allows us to work more efficiently, avoid duplicated efforts, develop shared approaches, and deliver joint engagement and guidance for industry where appropriate.

2.17 Over the next year, this will involve:

- all member regulators contributing to a project to support effective governance in algorithmic systems;
- all members developing ways to help innovators who need to comply across our respective regimes; and
- the ICO and the FCA carrying out joint research into the benefits and harms posed by digital assets.

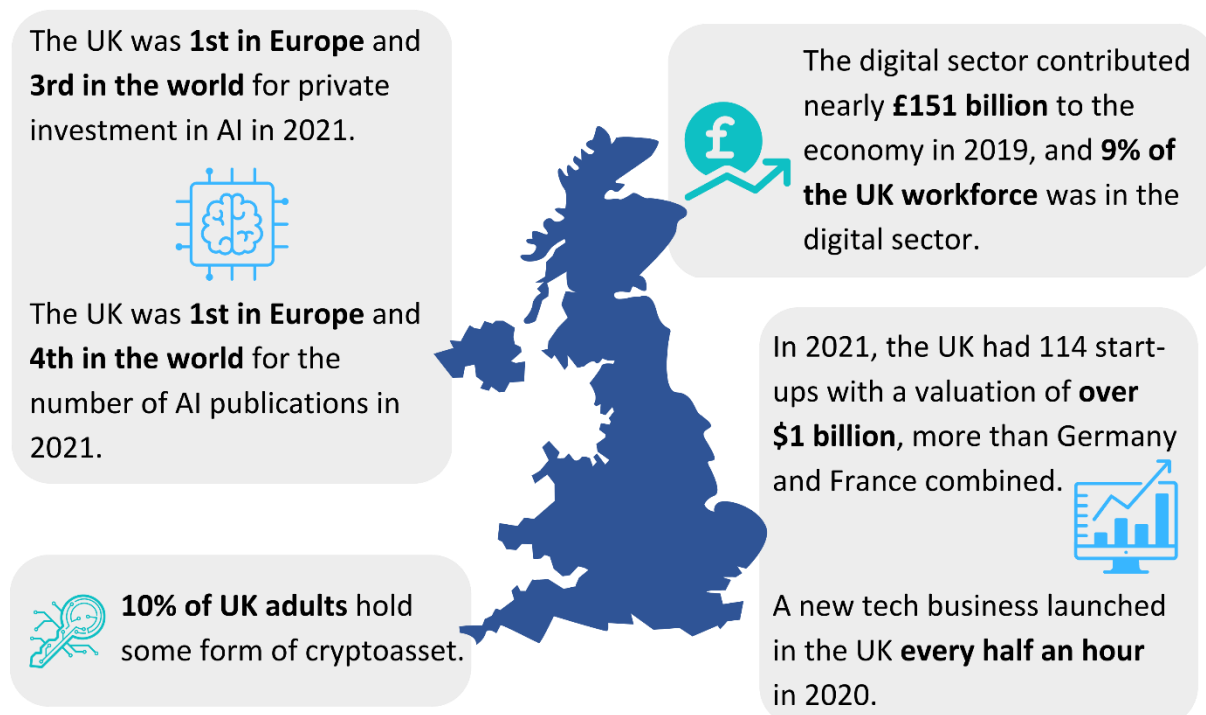


Figure 2: statistics relating to investment in AI, the value of the digital economy, cryptoassets, and tech start-ups. All statistics are reiterated in the main body of text.

## Supporting effective governance of algorithmic systems

2.18 Using algorithms to process and collect data underpins many digital services, providing functionality which impacts people's everyday lives. From detecting fraudulent activity to connecting us to our friends or directing our navigation online, algorithmic systems provide many benefits. However, without appropriate oversight they could lead to individual harm and anti-competitive outcomes. As regulators of digital services, we want to support the use

of algorithmic systems in a way that promotes the benefits of algorithms and mitigates the risks to people and competition.

- 2.19 One such digital service underpinned by algorithms is AI. The UK has a thriving AI ecosystem. In 2021, the UK was first in Europe and third in the world for private investment in AI companies (\$4.65 billion) and newly funded AI companies (49). The UK is also first in Europe for the number of AI publications in 2021, and only topped by China, the USA and India.<sup>19 20</sup>
- 2.20 We will lead the way in exploring best practice in AI regulatory governance, including supporting the delivery of government’s proposed AI framework.<sup>21</sup> We will:
- build common understanding and definitions of key principles relevant to the regulation of AI, such as fairness, across DRCF member regulators. More generally, we will engage with government, as appropriate, as it develops its proposed AI framework.
  - identify and explore new and emerging AI risks across our sectors to remain abreast of developments in the AI landscape. As part of this we will explore the development of use cases and potential risks created by generative AI across our regulated areas.<sup>22</sup>
  - research the role of third-party services for the audit of algorithms to support regulatory compliance.

## Enabling innovation in the industries we regulate

- 2.21 Innovation is an important part of thriving, competitive markets. It enables new and improved products and services, increases consumer choice, and develops systems that drive down prices and boost service quality. Innovation also helps to drive the economy, supporting both improved productivity and economic growth. The DRCF aims to make it easier for firms who need to comply across our respective regimes to do business.
- 2.22 The digital sector contributed nearly £151 billion to the economy in 2019 and accounted for 9% of the national workforce.<sup>23</sup> New tech business launched in the UK every half an hour throughout 2020, according to analysis of business figures by Tech Nation.<sup>24</sup> The UK also outperforms its European peers in both the number of start-ups that have achieved ‘unicorn’ status (companies with valuations over \$1 billion) and potential future unicorns (ranking the highest in Europe in 2021). In 2021, the UK had a total of 114 unicorns, more than France and Germany combined.<sup>25</sup>

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<sup>19</sup> [Artificial Intelligence Index Report](#), “The AI Index 2022 Annual Report,” AI Index Steering Committee, Stanford Institute for Human-Centred AI, Stanford University, March 2022.

<sup>20</sup> [OECD AI Policy Observatory - Live data](#) OECD, live data last accessed April 2023

<sup>21</sup> [A pro-innovation approach to AI regulation](#), Department for Science, Innovation and Technology, March 2023

<sup>22</sup> Generative AI is explained in footnote 3 above.

<sup>23</sup> [DCMS Economic Estimates 2019: Gross Value Added](#) February 2021

<sup>24</sup> <https://technation.io/news/new-tech-business-launched-every-half-an-hour-in-the-uk-in-2020/> TechUK, March 2021

<sup>25</sup> <https://2021.stateofeuropeantech.com/chapter/better-ideas-better-companies/article/ideas-gamechangers/1079/4647#c1079> State of European Tech 2021

- 2.23 There are a range of different approaches across UK regulators to support firms in their innovation, such as existing advice services and sandboxes. We want to understand what services would best suit the needs of digital innovators, in terms of the format of the service and the types of issues that are most relevant to them. We will design and then pilot different options for a multi-agency advice service for digital innovators. This project has been made possible by a grant from the Regulators' Pioneer Fund launched by the Department for Business, Energy and Industrial Strategy (BEIS).
- 2.24 Recent publications such as the Vallance report and government's White Paper on AI regulation have referred to the possibility of establishing a cross-regulator sandbox for AI to support innovation in this area. We will continue to liaise closely with government as our work progresses and will share learnings from our research with digital innovators.

## Understanding the benefits and harms posed by digital assets

- 2.25 Digital assets are uniquely identifiable, cryptographically secured assets which can be created, transferred, stored, or traded digitally.<sup>26</sup> There are several types of digital assets in the digital economy, including non-fungible tokens which confer ownership rights of a unique asset (e.g., digital art), and 'cryptoassets', which can be exchanged for the settlement of payments (e.g., crypto coins or tokens). Digital assets have become an increasingly popular investment for UK consumers, with around 10% of UK adults holding some form of cryptoasset, according to research conducted by HMRC.<sup>27</sup>
- 2.26 While digital assets only represent a small share of financial services market transactions and remain volatile, their consumption, and the use of the technologies that underpin them, has the potential for growth. In future a larger volume of financial transactions could sit outside traditional financial institutions, as could the associated processing of personal data. This could create new regulatory challenges. It is therefore important for regulators to have a strong understanding of the risks and benefits digital assets could pose for consumers from a financial and data protection regulation perspective.<sup>28,29</sup>
- 2.27 The FCA and the ICO will conduct joint research to build a deeper collective understanding of consumer attitudes toward digital assets and how they interact with these products. This will focus on the benefits and harms they can pose for consumers, from both a financial services

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<sup>26</sup> Cryptography is a mathematical technique for encrypting and decrypting data to keep it private when transmitted or stored electronically.

<sup>27</sup> [Individuals holding cryptoassets: uptake and understanding](#), HMRC, July 2022

<sup>28</sup> The FCA's consideration of cryptoasset regulation issues has been ongoing. In March 2022 the [FCA published a statement](#) reminding all regulated firms of their existing obligations when they are interacting with or exposed to cryptoassets and related services. The [2021 Perimeter Report](#) also noted that much of the cryptoasset sector continues to sit outside of the FCA's current regulatory remit, but when firms assess the risks cryptoassets pose, they should use a similar approach to that for the regulated activities they conduct.

<sup>29</sup> The ICO's 2022 Tech Horizons report noted the use of distributed ledger technologies in decentralised finance can lead to challenges from a data protection regulation perspective, such as raising questions about compliance accountability and presenting challenges for individuals exercising their information rights. See: [ico-future-tech-report-20221214.pdf](#)

regulation and data protection regulation perspective. We will publish the policy insights we derive from this research.<sup>30</sup>

## Capability

2.28 We need to continuously update and equip ourselves with the knowledge and expertise needed for the task of digital regulation. Through the DRCF, the member regulators have great opportunities to coordinate, explore shared objectives and learn from each other as we go about building this knowledge and expertise. Our priority projects help us to do this by:

- scanning what key emerging technologies are on the horizon and developing insights on these;
- improving knowledge sharing through expert networks, so that we can build a collective understanding of key issues;
- supporting talent retention and building of skills and capabilities across the member regulators, building an attractive employee value proposition to retain and move the right people around the DRCF members;
- exploring more practical forms of collaboration in terms of how we use technology to support and achieve regulatory objectives; and
- partnering with others, including establishing an international community of regulatory authorities with a similar focus to the DRCF.

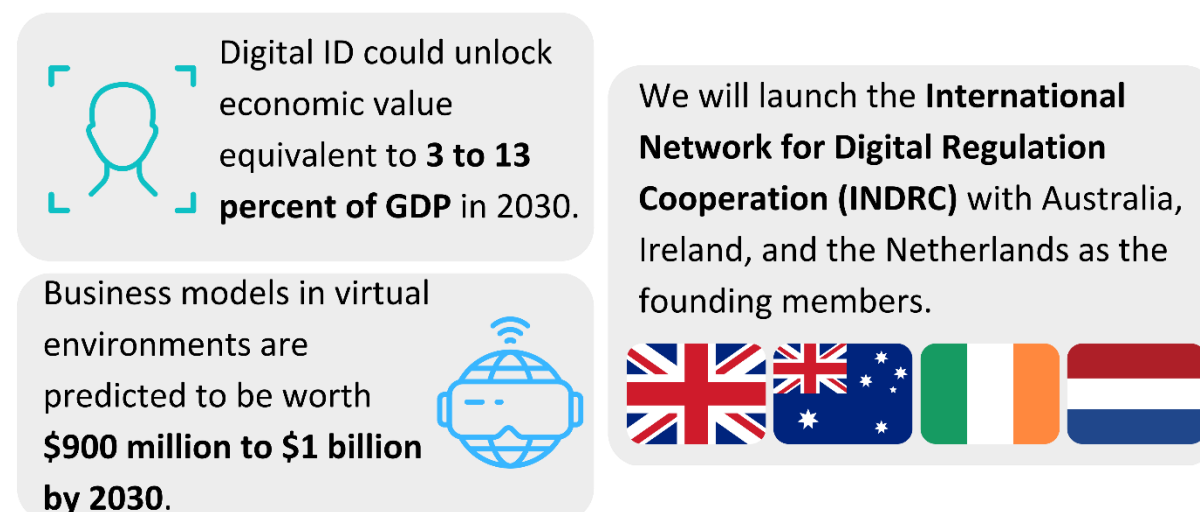


Figure 3: statistics relating to digital ID, business models in virtual environments, and the International Network for Digital Regulation Cooperation. All statistics are reiterated in the main body of text.

<sup>30</sup> These insights will inform ongoing interest from government and broader stakeholders about how to regulate digital assets into the future. Recent interest has included: [February 2023 Consultation Paper from HMT](#), a [Treasury Select Committee inquiry into the cryptoasset industry](#) and a [DCMS Committee Inquiry into NFTs and the blockchain](#).



## Joint horizon scanning to create insights into emerging technologies

- 2.29 Conducting horizon scanning activities in relation to key emerging technologies – and developing a strategic response to these developments – is a core aspect of DRCF work. We will continue to engage and build relationships with the Government Office for Science, the Regulatory Horizons Council, and others across government who use futures and horizon scanning methods so that DRCF member regulators are aligned on best practice and are sharing learnings.
- 2.30 Through a cross-regulator prioritisation process and consideration of responses to our Call for Input, we have identified two topics to consider further next year:
- **We will explore how ‘digital identity’ might evolve across multiple technological areas in the medium term.** This includes considering developments such as decentralised digital identity (as highlighted by our Web3 Insight Paper), identity within open data frameworks, and international examples of digital identity deployments.<sup>31</sup> Digital identity is one of the key enablers of many technological evolutions in the market and could have an impact on all DRCF members’ regulatory remits. It has been predicted that Digital ID could unlock economic value equivalent to 3 to 13 percent of GDP in 2030 in the UK.<sup>32</sup>
  - **Business Models in virtual environments (metaverses).** We will explore what type of business models might develop within virtual environments and how this may create new products and services, and may impact consumers, across our regulatory remits. We will build on the learnings from our previous Metaverse Symposium and consider which business models could drive investment, monetisation, and influence adoption of these innovative technologies.<sup>33</sup> We will also look at the role of standards and interoperability, and how this drives the creation of new business models, products, and services. This market is predicted to be worth between \$900 million and \$1 billion by 2030.<sup>34</sup>

## Improving knowledge sharing through expert networks

- 2.31 The member regulators have created formal networks to facilitate deeper knowledge sharing across teams working on common topics. These networks will continue to allow colleagues to make connections, share expertise and explore the potential for further joint work. By promoting these cross-regulator groups we hope to enable more informed and creative policy development. We encourage our experts to challenge each other, share experiences and gain new perspectives.<sup>35</sup>

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<sup>31</sup> [Web3 Insight Paper](#), DRCF 3 February 2023

<sup>32</sup> [The future of Digital ID: What it means for you](#) · Yoti June 2022

<sup>33</sup> [Metaverse Symposium](#), DRCF June 2022

<sup>34</sup> [Metaverse and Money - CitiGPS](#), March 2022

<sup>35</sup> Our networks established last year will continue to share expertise on topics including regulatory and supervisory technologies, cloud service, advertising technologies, choice architecture and privacy-enhancing technologies.

- 2.32 This year, we will build a knowledge sharing network looking at regulatory functions relevant to cyber security and resilience. Potential links between our regulatory regimes include Network and Information Systems regulations and their potential reforms, the Telecommunications (Security) Act 2021, and inclusion of critical third-party regulation in the financial sector. This knowledge sharing network includes Ofcom, the ICO, the FCA and other UK financial authorities.
- 2.33 In addition, we will share insights regarding our interaction with key firms in digital markets in order to identify potential areas of joint working and co-operation.

## Attracting talent and developing skills across all four regulators

- 2.34 To regulate digital services effectively, we will need to build appropriate skills and capabilities and attract people to our organisations. There are common skills, capabilities, expertise, and experience that will provide value to each of our regulatory remits and especially our focus on digital regulation. We will continue to work together through joined-up campaigns to attract and retain talent through graduate rotation and secondment opportunities.

## Developing the use of technology in regulation

- 2.35 We want to leverage the use of technologies to help us further understand market trends and ensure we regulate as effectively as possible. Next year we will explore how we can support our regulatory functions by using data and analytics techniques to better understand consumer outcomes and market dynamics. This work will build on previous knowledge sharing that has taken place over 2022/23 regarding the use of regulatory and supervisory technologies in digital markets.<sup>36</sup>

## Partnering with others to share insights and experience

- 2.36 Engagement with stakeholders outside of the DRCF is an essential means of gathering inputs and insights to inform our thinking; to increase awareness of the DRCF and amplify project impacts and outcomes, and, where relevant, to support coordination on digital issues. Over the past year, members have strengthened our relationships with stakeholders, including academia, industry, and the wider regulatory community both in the UK and internationally. We will continue to build on these relationships in the coming year.
- 2.37 We will establish an international community of regulatory authorities with similar approaches to collaborating on digital regulation. We will launch the International Network for Digital Regulation Cooperation (INDRC) with Australia, Ireland, and the Netherlands as the founding members. This network will meet regularly to:
- gather insights into how overseas jurisdictions are approaching domestic regulatory coherence and cooperation; and

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<sup>36</sup> Regulatory Technology (known as RegTech) is the application of technologies that facilitate the delivery of organisations' regulatory requirements more efficiently and effectively than existing capabilities. Supervisory Technology (known as SupTech) is the application of technology by regulators to support their own supervisory activities.

- foster relationships between regulators on digital regulation matters.
- 2.38 We will also continue to engage closely with other UK regulators, including through quarterly roundtables with UK regulators, which are now attended by ten regulators outside the DRCF members.<sup>37</sup> We will continue this important engagement next year and will explore possibilities for partnering with other regulators on specific projects.
- 2.39 We will continue working closely with industry, through trade groups and direct engagement with large and small technology companies. Our projects will also engage extensively with a wide network of stakeholders, including representatives from industry, civil society and consumer groups and academia.
- 2.40 We will also continue to build relationships with relevant parliamentarians, Parliamentary Committees and All-Party Parliamentary Groups in the coming year.

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<sup>37</sup> The attendees are the Advertising Standards Authority, Bank of England, British Board of Film Classification, Care Quality Commission, Electoral Commission, Equalities and Human Rights Commission, Gambling Commission, Intellectual Property Office, Medical and Healthcare Products Regulatory Agency and Payment Systems Regulator. This group comes together to share knowledge and insights in relation to current regulatory technologies and to identify and explore synergies and connections across our respective work.

# A1. Annex: Response to Call for Input

- A1.1 In December 2022, the DRCF published a Call for Input, seeking stakeholders' views on the policy interactions, technologies and/or other areas of focus as well as stakeholder groups that should be considered for our 2023/24 Workplan.<sup>38</sup>
- A1.2 We asked stakeholders the following questions:
- a) Are there policy interactions or technologies you would like the DRCF to take into consideration as it develops its workplan for 2023/24? Why are these important? Please outline areas that cover at least two of the DRCF member regulators' remits.
  - b) In line with the 'factors we consider when prioritising work', are there any areas of focus you believe align with these that are not covered in our previous workplan?
  - c) Are there any particular stakeholder groups (e.g., end users such as vulnerable consumers, children, businesses) that you believe the DRCF should be particularly mindful of when prioritising areas of focus for the DRCF?
- A1.3 We received responses from 32 stakeholders across industry, academia, civil society, consumer groups and other regulators.

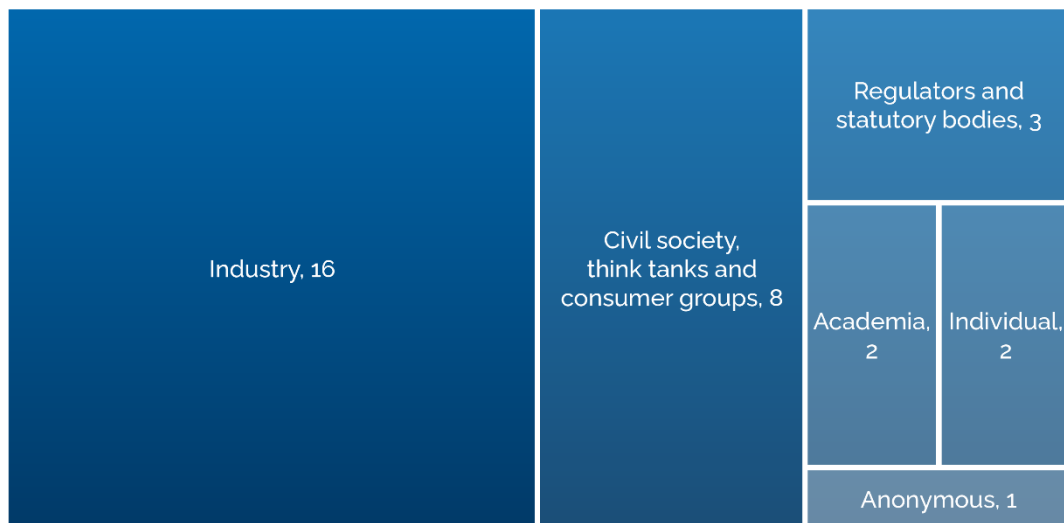


Figure 4: responses by stakeholder group. Respondents were from industry (16), civil society, think tanks, and consumer groups (8), regulators and statutory bodies (3), academia (2), individuals (2) and anonymous (1).

- A1.4 These responses have informed the DRCF's 2023/24 Workplan and our member regulators' wider considerations for 2023/24 and beyond. Non-confidential responses have been published alongside this workplan.

<sup>38</sup> [Digital Regulation Cooperation Forum \(DRCF\) workplan 2023 to 2024: Call for input](#), December 2022

A1.5 Most stakeholders explicitly indicated their support for the DRCF and its objectives of driving forward ‘coherence’, ‘collaboration’ and ‘capability building’ across its member regulators.

A1.6 We would like to thank stakeholders for sharing their views.

## Stakeholder views on policy interactions across DRCF regulators

A1.7 Many respondents reiterated the importance of enabling coherent, informed, and responsive regulation of the UK digital economy which serves citizens and consumers, including:

- a) Balancing safety and privacy of individuals online, particularly for the protection of children;
- b) Detecting and preventing online fraud and scams;
- c) Promoting competition and privacy in digital advertising; and
- d) Reinforcing online safety through competition.

A1.8 Other potential policy interactions highlighted by some stakeholders included cyber security, internet encryption and operational resilience within digital markets; smart data and other forms of data portability; the use of cross-regulatory sandboxes to support innovation; and the impact of online choice architecture practices on consumers.

A1.9 These areas fall within the DRCF 2023/24 Workplan, particularly where we are continuing our work to ensure coherence across our regimes (see paragraph 2.4). Other relevant projects include our plans to enable innovation (see paragraph 2.21) and to share knowledge through expert networks (see paragraph 2.31). Ofcom and the CMA will continue to work together where competition interventions have implications for online safety and vice versa.<sup>39</sup>

## Stakeholder views on potential technologies for DRCF to consider

A1.10 Many stakeholders highlighted technologies that either create risks for or offer potential solutions for consumers and other online users. In particular:

- a) Risks related to digital assets, including fungible tokens (commonly referred to as ‘cryptocurrencies’ or ‘cryptoassets’) and non-fungible tokens (NFTs), as well as ‘DeFi’ products;<sup>40</sup> biometric technologies; algorithms and AI;
- b) Solutions offered by Digital ID and other identification and/or authentication technologies as well as privacy enhancing technologies (PETs).

A1.11 Many of these issues will be explored as part of our work over the coming year, specifically within our plans to:

- a) Understand the benefits and harms posed by digital assets (see 2.25);

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<sup>39</sup> For more information, see ‘How the CMA and Ofcom expect to work together’ in the CMA and Ofcom ‘[Online safety and competition in digital markets: a joint statement between the CMA and Ofcom](#)’, July 2022

<sup>40</sup> Decentralised finance or “DeFi” is an umbrella term for applications that seek to provide a range of financial services for built on distributed ledger technology (DLT), of which the most commonly known are blockchains.

- b) Consider best practice in AI governance (see 2.18);
- c) Develop a coherent approach to age assurance technologies to help keep people safe online (see 2.6), as well as explore how Digital ID might evolve in the medium term (see 2.31); and
- d) Share knowledge through expert networks (see paragraph 2.31).

## Stakeholder views on other areas of focus for the DRCF

- A1.12 A few stakeholders made suggestions in relation to how the DRCF member regulators can support net zero targets and the impact of technological changes on the UK workforce. Other proposals included a cross-regulatory accountability framework and a wider consideration of the scope and methodologies used when examining digital markets and value chains.
- A1.13 Some of these issues are areas that individual member regulators are considering outside of their DRCF work. For example, tackling climate change and promoting environmental sustainability are factors that member regulators will consider as they continue their own programmes of work over the next year in line with government's commitment to achieving a net-zero economy by 2050.<sup>41</sup>
- A1.14 We acknowledge the various challenges that the growth of the digital economy has brought for both workers and employers in the UK. Outside of our own work to recruit and retain specialist talent (see 2.34), these issues are most appropriately addressed by government under, for example, its Digital Strategy and other initiatives.<sup>42</sup>
- A1.15 Other suggestions which were not prioritised for the 2023/24 Workplan will remain in scope for future consideration and aid us in mapping issues that interact with our mission to drive greater regulatory cooperation on digital issues and deliver coherent approaches to regulation for the benefit of people and businesses online. In addition to the projects set out in the DRCF's workplan, member regulators will continue to communicate and, where appropriate, coordinate to help ensure our efforts collectively provide clarity to providers and users of digital services.

## Stakeholder views on potential areas of engagement by the DRCF

- A1.16 Most stakeholders emphasised the importance of the DRCF's continued engagement with a wide set of views, including those within industry (including start-ups and small and medium-sized enterprises (SMEs)), trade associations and other industry networks, academia, think tanks, consumer groups, other regulators (in the UK and internationally), regulatory networks and government. One respondent proposed broadening DRCF membership. Many offered future engagement and/or partnership with the DRCF.

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<sup>41</sup> For more information on action taken by the CMA and the FCA to support net zero and other environmental initiatives, see the CMA's [advice](#) on environmental sustainability and [draft guidance](#) to help businesses cooperate on the environment as well as the FCA's [update](#) on its work on climate change and sustainable finance. See also BEIS, [Net Zero Strategy: Build Back Greener, October 2021](#)

<sup>42</sup> [UK's Digital Strategy](#), June 2022

A1.17 Engagement with stakeholders is central to our work at the DRCF, both collectively and as individual members. We will continue to build on the relationships we have developed over the course of this year, with a particular focus on the international regulatory community and domestic regulators alongside industry, academia, and civil society representatives (see 3.26). Further information on our approach to DRCF membership as well as project partnership can be found in our Terms of Reference.<sup>43</sup>

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<sup>43</sup> See footnote 1