

International Regulatory Strategy Group policy paper - coherent and interoperable international regulatory framework on Artificial Intelligence (AI)

The International Regulatory Strategy Group (IRSG) is a joint venture between the City of London Corporation and TheCityUK. Its remit is to provide a cross-sectoral voice to shape the development of a globally coherent regulatory framework that will facilitate open and competitive cross-border financial services.

We welcome the opportunity to share our reflections on the importance of a coherent and interoperable global framework on AI regulation that would enable economic growth, encourage innovation, and deliver greater legal certainty for businesses and consumers as the UK Government prepares for its upcoming UK AI Safety Summit.

We very much appreciate the UK government's initiative in this field. But we would also use the opportunity of the increased attention on AI, to highlight some of our key reflections for the UK to remain a global leader in this field.

Summary

The financial services and professional services sectors have long been major users of information and communications technology (ICT), to provide better, faster, more efficient, and more effective products and services for the end customer.

AI is recognised as a potential enabler to offer better products and services to customers, improve operational efficiency, drive innovation and combat financial crime more effectively, leading to better outcomes for customers, firms, financial markets and the wider economy. For small and medium enterprises (SMEs), the integration of AI technologies can be a game-changer, offer the leverage to scale swiftly and carve out unique niches with innovative services and products, thereby attracting a broader customer base.

Following recent technological developments (e.g. ChatGPT and similar, large language model-based interfaces) and growing public awareness of the risks and opportunities of AI, multiple jurisdictions around the globe are accelerating work on regulating the development and use of AI. China has already enacted AI legislation.

Against this backdrop, this paper stresses the importance of creating a globally coherent approach. To help achieve a global regulatory framework for AI that avoids additional, unnecessary burdens for businesses, whilst protecting consumers and maintaining their trust, we urge the UK government to adopt the following policy recommendations:

1. Lead and Drive the Creation of Global Principles and Standards:

- **Objective:** Create a common global baseline for AI regulations that can be universally accepted.

- **Recommendation:** Lead and drive the creation of global principles and standards, which incorporate shared definitions/terminology, to create a common baseline which facilitates an interoperable international regulatory framework.
2. **Strengthen International Coordination:**
- **Objective:** Limit conflicting and overlapping regulations across different jurisdictions that will create disproportionate compliance burdens for businesses.
 - **Recommendation:** Strengthen international regulatory coordination to avoid friction between competing and overlapping regulations.
3. **Promote the Interoperability of Regulatory Regimes:**
- **Objective:** Ensure that the UK's domestic AI regulation aligns with international standards, promoting interoperability, consistency and trust.
 - **Recommendation:** Promote the interoperability of different regulatory regimes and follow international standards and principles in the UK's domestic regime.

Introduction

AI is not new to the financial and professional services sectors. However, the unprecedented technological advancements and increasing awareness of the risks of AI along with the opportunities it offers, are serving as drivers for new/enhanced regulation. AI amplifies existing risks, including those that impact customers, market integrity, and financial stability. It is therefore important that AI is managed within a targeted, proportionate legislative and regulatory structure, to provide appropriate protections to individuals and markets.

Multiple jurisdictions are seeking to address this issue. The EU is in the final stage of discussing its AI Act, the UK government published its AI white paper, the US is considering creating further legislation at state and federal level, and China has already passed a law on AI.¹ These activities should bring greater clarity for businesses and consumers, but also risk international regulatory fragmentation and creating borders to global technology.

In addition, multiple international organisations have accelerated their work on common principles and the standardisation of AI terminology. We welcome these initiatives and encourage the UK government to continue engaging in these fora.

Since AI operates globally, effective international coordination offers the opportunity to reduce the risk of legal uncertainty/conflicts and a disproportionate regulatory burden for businesses.

1. Developing global principles and standards

¹ For an overview on key AI regulatory projects, see the [IAPP AI legislation tracker](#).

We welcome the approaches taken by numerous international organisations and national bodies to develop global principles, standards and frameworks for AI, for example:

- The [OECD published its principles on trustworthy AI in 2019](#).
- The G20 published their [principles for trustworthy AI](#) at their 2019 summit in Osaka.
- The G7 published their [International Guiding Principles and Code of Conduct for Organizations developing advanced AI systems](#) in September 2023.
- The Council of Europe created a new [Committee dedicated to AI](#) in 2022.
- Ongoing [CEN/CENELEC work to develop accompanying technical standards to the EU AI Act](#).
- UNESCO published a [Human Rights Approach to AI](#).
- The U.S. Department of Commerce’s National Institute of Standards and Technology (NIST) published its [AI Risk Management Framework](#) in 2023.
- The Monetary Authority of Singapore published its [Principles to promote Fairness, Ethics, Accountability and Transparency \(FEAT\) in the use of AI](#) in Financial Services in 2018
- The International Organization for Standardization is working on a number of AI standards.

The creation of global principles and standards could help ensure commonality between different regulatory approaches and provide helpful guidance to businesses, but it is critical to ensure coordination and a “common baseline”. We therefore welcome the recognition in the UK AI White Paper of the importance of the work of international institutions and the role of technical standards as a way to provide consistent, cross-sectoral and international confidence that AI has been developed responsibly and safely.

We recommend that the UK government continues its long-term engagement on developing global AI principles and standards and engages in ambitious discussions in key international fora.

The UK government should leverage the work of already established international organisations and ensure that their projects are coherent. We consider the recent work of the G7 and the G20 to be particularly promising in this regard, representing all key global economies and providing an overarching approach for the other bodies.

Where new institutions are created, we recommend that the UK government makes sure that they have clear objectives, a distinct remit, and sufficient funding to deliver concrete and useful outcomes.

We support the UK government’s continued investment in the AI Standards Hub which was formed in 2022 to lead the UK’s contribution to the development of international standards for the development of AI systems. This standards-based approach may prove particularly useful for those deploying AI in multiple jurisdictions.

2. Strengthening international coordination

The global legal and regulatory landscape for AI is evolving rapidly. Different legal traditions and ethical values play a key role in the way national regulations are drafted. For example, some jurisdictions are favouring a more prescriptive, rule-based approach, such as the EU in its AI Act, whilst others favour a more principles and outcomes-based approach, such as the approach outlined by the

UK government in its AI white paper. Other differences in approach include a horizontal (industry agnostic) approach versus a vertical (industry-specific/sectoral) approach to regulation.

Different regulatory approaches risk creating friction and/or conflicts due to diverging definitions of AI, legislative scope and adaptability to technical advancement. This, in turn, could reduce trust in the global regulatory framework and increase legal uncertainty for businesses and consumers. Operationally, firms within regulated sectors that operate globally may find it challenging to meet overlapping requirements. This hinders innovation and can lead to additional risks by creating legal loopholes and a lack of consistency.

While we understand that global coordination is challenging, particularly on a rapidly evolving and strategic issue like AI, we strongly urge all jurisdictions to engage in open and ambitious discussions.

Global law makers and regulators should explain and coordinate how they plan to implement international principles. This will limit misunderstandings, regulatory overlaps and contradictions that will impact the ability of global firms to navigate the regulatory landscape. They should also take the opportunity to learn from each other's approaches and be open to implement best practice models.

The IRSG welcomes the UK AI White Paper's recognition of the importance of working closely with international partners to both learn from, and influence, regulatory and non-regulatory developments.

We recommend that the UK government continues to play a key role in these international discussions, engaging meaningfully with its international partners to promote international coordination, providing a platform for exchange where needed, and shaping the international AI framework in line with the UK's values and priorities.

The AI Safety summit is a first and welcome step in this direction but should be followed by continuous engagement with key partners across the globe.

3. Ensuring interoperability of different regulatory regimes

The IRSG welcomes the objectives of the UK Government's AI White Paper, notably to create the optimum environment for the responsible and innovative use of AI. Ensuring interoperability with other regulatory regimes will be crucial to achieve these objectives. The UK needs to balance achieving an advantageous regulatory regime against the risk of isolation through the development of a unique, insular regime.

For the principles-based regime outlined in the UK AI white paper to be effective, interoperability internationally across multiple different jurisdictions will be essential, e.g. by benchmarking and through international regulatory forums. Ignoring common, global principles and international standards would not only create considerable additional burden for businesses and hinder innovation, but also leave the UK as a reluctant follower of larger trading blocs.

We therefore recommend that the UK government, in line with the approach outlined in the AI white paper, promotes interoperability and coherence between different approaches, challenging barriers which may stand in the way of businesses operating internationally.

We further recommend that the UK government incorporates international standards and principles in the implementation of its domestic AI regulatory regime. It will be particularly important that sector specific regulators are aware of their importance and embrace them, in their key role of implementing the guiding principles outlined in the AI white paper. It will be also important that the UK demonstrates that the sector specific approach leads to a coherent outcome between its different sector specific regulators, e.g. by calling out the role of the UK's Digital Regulatory Cooperation Forum (DRCF) and similar forums to help achieve this.

Conclusion

International coordination, global standards and interoperability are crucial elements to create a proportionate, safe, responsible and innovation-friendly global regulatory AI framework.

The IRSG agrees that the UK government has an important role to play to co-ordinate the discussion of how AI should be regulated and to facilitate the interoperability of evolving laws and standards. We welcome the UK's commitment to a global regulatory environment for AI which fosters the principles for trustworthy AI.

We encourage the UK government to stay closely engaged with its international partners and committed to the development of international standards valuing common principles and facilitating cross-border business to achieve the goals outlined in the AI white paper and remain a global leader in this field.

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