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Trying to Keep Up – The FCA's Regulatory Approach to Big Tech and Artificial Intelligence

July 20, 2023

Background

On 12 July 2023 Nikhil Rathi, the CEO of the UK's Financial Conduct Authority ("**FCA**"), delivered a speech on the FCA's regulatory approach to Big Tech and Artificial Intelligence ("**AI**").

Some of the key points discussed are set out below.

Summary

- **The role of "Big Tech"**

The FCA remains mindful of the risks that "Big Tech" (i.e. the most dominant players in the technology industry) may pose to operational resilience in payments, retail services and financial infrastructure, as well as its role in manipulating consumer behavioural biases. These risks need to be balanced with the opportunities for innovation Big Tech can provide. The FCA has accordingly published a feedback statement on the competition impact of Big Tech in financial services.

- **AI and market integrity**

Although the FCA recognises that the use of AI can benefit markets, if left unfettered, it can also cause risks that affect the integrity, transparency and fairness of markets. Cyber resilience will also need to evolve alongside the increased sophistication of cyber attacks.

- **AI opportunities**

The FCA is keen to maximise the opportunities that AI presents. The FCA has established a Digital Sandbox (the first of its kind used by any global regulator) using real transaction, social media, and other synthetic data to support FinTech and other innovations to develop safely.

The FCA is also using AI to develop better technology for supervision.

- **The way forward**

The FCA's "outcomes-based" approach aims to strike a balance between protection and innovation. With this approach, the FCA already has frameworks in place to address many of the issues that come with AI. For example:

  - The Consumer Duty stipulates that firms must design products and services that aim to secure good consumer outcomes. All parts of the supply chain must demonstrate how these outcomes are achieved – including digital infrastructure.
  - The Senior Managers & Certification Regime also provides a framework to respond to innovations in AI, as senior managers are ultimately accountable for the activities of the firm.

As AI transcends borders, so must the regulatory response. The FCA has stated that it intends to play an influential role internationally, both bilaterally and within global standard-setting bodies. The aim is to help make the UK the global home of AI regulation and safety.

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