2023/24 Annual Report

April 2024

DRCF

Digital Regulation Cooperation Forum

CMA Competition & Markets Authority · Ofcom · ico. Information Commissioner's Office · FCA Financial Conduct Authority

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CEO's Foreword

2023/24 has been a momentous year for digital regulation in the UK. New online safety legislation has been enacted, digital markets legislation and new data protection rules are making their way through Parliament, and the UK Government has set out its approach to artificial intelligence (AI) regulation. As the UK's digital rulebook matures, the DRCF and its member regulators have been looking holistically at this changing environment, collaborating on a coherent approach.

The DRCF has exceeded its goals this year. As well as delivering on all the projects outlined in our Workplan for the year, we have significantly stepped up our cooperation on AI governance, not least in light of growing UK interest in adoption of generative AI.

A key achievement was our agreement with the UK Government that it would fund the ground-breaking DRCF AI and Digital Hub ('the Hub'); a multi-agency advice service for innovators which will be launched in spring 2024. The DRCF has led collaboration on the principles set out in the Government's AI White Paper and on the implications of generative AI and foundation models, as well as further pursuing our work on algorithmic auditing. The DRCF held a panel at the AI Summit Fringe and participated in other panels on AI regulation throughout the year. We have engaged with the UK Government on our work on AI to help inform its approach.

Our collaboration between regulators, for example on adtech and safety tech - online choice architecture and cookies, age assurance and content moderation - is having a significant impact on the UK's social media and digital markets. Our papers, for example on immersive futures, quantum and algorithmic audit, are helping to shape the direction of those industries. We have listened to businesses in developing our plan of work and participated in industry events to explain DRCF's role and its delivery.

Last year saw a step-change in DRCF's accountability to Parliament. The DRCF provided oral evidence to the Science, Innovation and Technology Select Committee in the House of Commons, submitted written evidence to Select Committees, and met with All-Party Parliamentary Groups and key spokespeople from across the political spectrum to discuss DRCF's strategic approach and work. Last year saw DRCF take strides internationally too, establishing an International Network for Digital Regulation Cooperation (INDRC). Through this network we are discussing approaches to cross-regulatory cooperation with jurisdictions across the world and showcasing the benefits of the DRCF.

Collaboration is essential to successful digital regulation, as digital innovation often spans multiple sectors of the economy. 2024/25 is shaping up to be even more eventful for the DRCF, working with more partners and stakeholders as digital governance increasingly spans analogue divides. These are exciting challenges on which, by working together, we can aim to facilitate growth while avoiding harms.

In my first year with the DRCF, I have been fortunate to work with a brilliant team who bring collaboration to life every day. I am grateful for the support the DRCF receives at every level from its member regulators, which is vital to its success. We are all looking forward to continuing to deepen our regulatory collaboration and outputs in 2024/25.

Kate Jones,
CEO DRCF

Introduction to the DRCF

The DRCF brings four UK regulators together to deliver a coherent approach to digital regulation for the benefit of people and businesses online. It is a voluntary cooperation forum that facilitates engagement between member regulators on digital policy areas of mutual interest. The members are:

- Competition and Markets Authority (CMA)
- Financial Conduct Authority (FCA)
- Information Commissioner's Office (ICO)
- Office of Communications (Ofcom)

This third DRCF Annual Report[1], for the year 2023/24, is published alongside the 2024/25 Workplan. It sets out how the DRCF's work promoted the three overarching goals set out in our Terms of Reference and 2022/23 Workplan:

- Coherence between regimes
- Collaboration on cross-cutting issues
- Capability building between regulators

1 By the DRCF's **Terms of Reference**, member regulator CEOs will agree and publish a workplan setting out the areas of work for each financial year. An annual report providing a transparent account of progress and achievements over the previous year will be published alongside the workplan.

The DRCF has worked to promote coherence, collaboration, and capability building between our member regulators. The 2023/24 Workplan set out our ambitions in the following three areas:

1. Coherence between regimes

Legislative reforms, including the Online Safety Act (OSA) , Digital Markets, Competition and Consumers (DMCC) Bill, the Data Protection and Digital Information (DPDI) Bill and Financial Services and Markets Act (FSMA) are bringing our digital remits closer together. These reforms are establishing new statutory powers for DRCF member regulators, representing significant milestones in UK digital regulation.

By working together on areas where regulatory regimes intersect, we can better provide protection for citizens and consumers and certainty for UK businesses. This year, we developed further coherence by supporting member regulators in their preparation for and implementation of new legislative and regulatory regimes.

2. Collaboration on cross-cutting issues

The Government's 'Pro-Innovation Approach to AI Regulation' proposes an AI regulatory framework that places regulators and coordination between them at its heart. Responsive to this evolving policy landscape, the DRCF has collaborated on ambitious joint thinking to promote effective AI governance and to support innovators through the design and development of the DRCF AI and Digital Hub.

3. Capability building between regulators

This year, we have continued to build capabilities through developing joined-up approaches in horizon scanning of emerging tech and talent attraction and retention to share knowledge and best practice. Through these different areas of work, we have sought to provide regulatory clarity and certainty to UK businesses and protect citizens and consumers online.

Over the following pages, we set out our key milestones and publications in each area of work.

Our year in highlights

2023 /24

15
Projects.

208
regulator staff involved in DRCF activities.

11
non-DRCF regulators participated in quarterly regulatory roundtable meetings.

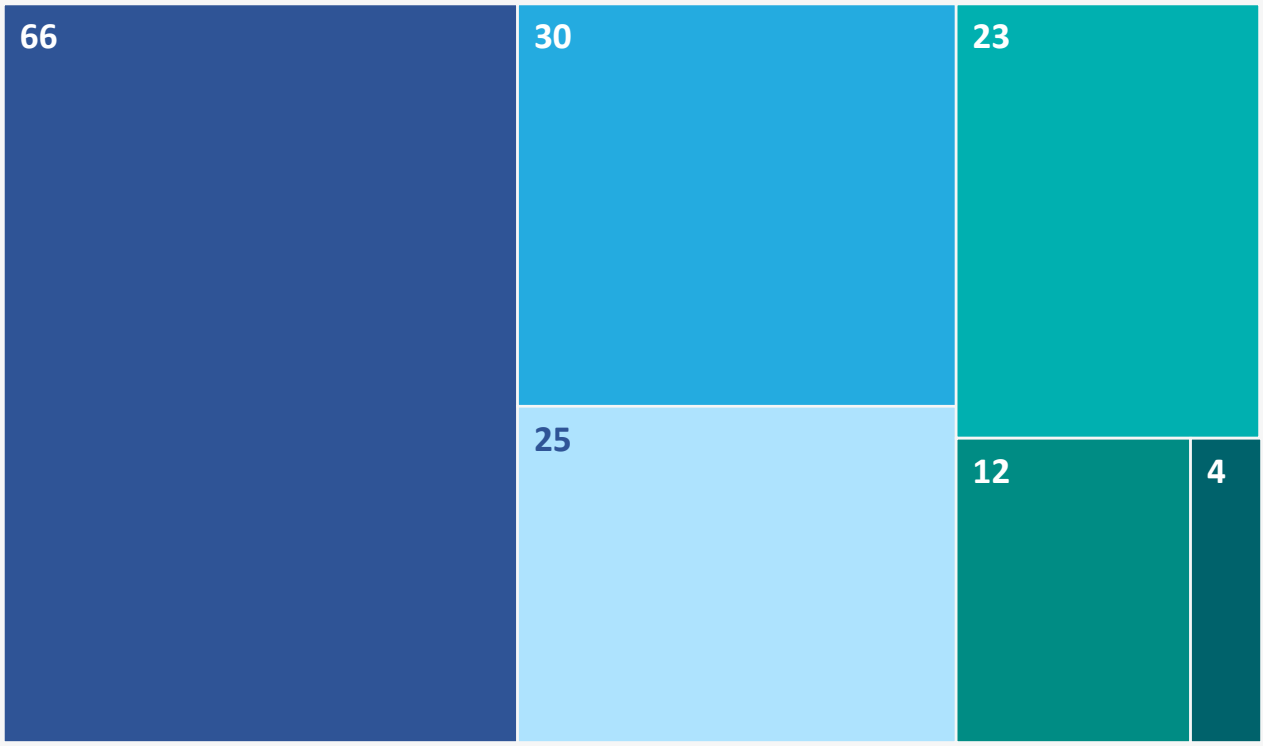
26
responses (verbal and written) to the DRCF Call for Input.

14
joint papers, reports and blogs.

4
members of the International Network for Digital Regulation Cooperation.

Continued Recognition of DRCF's Work

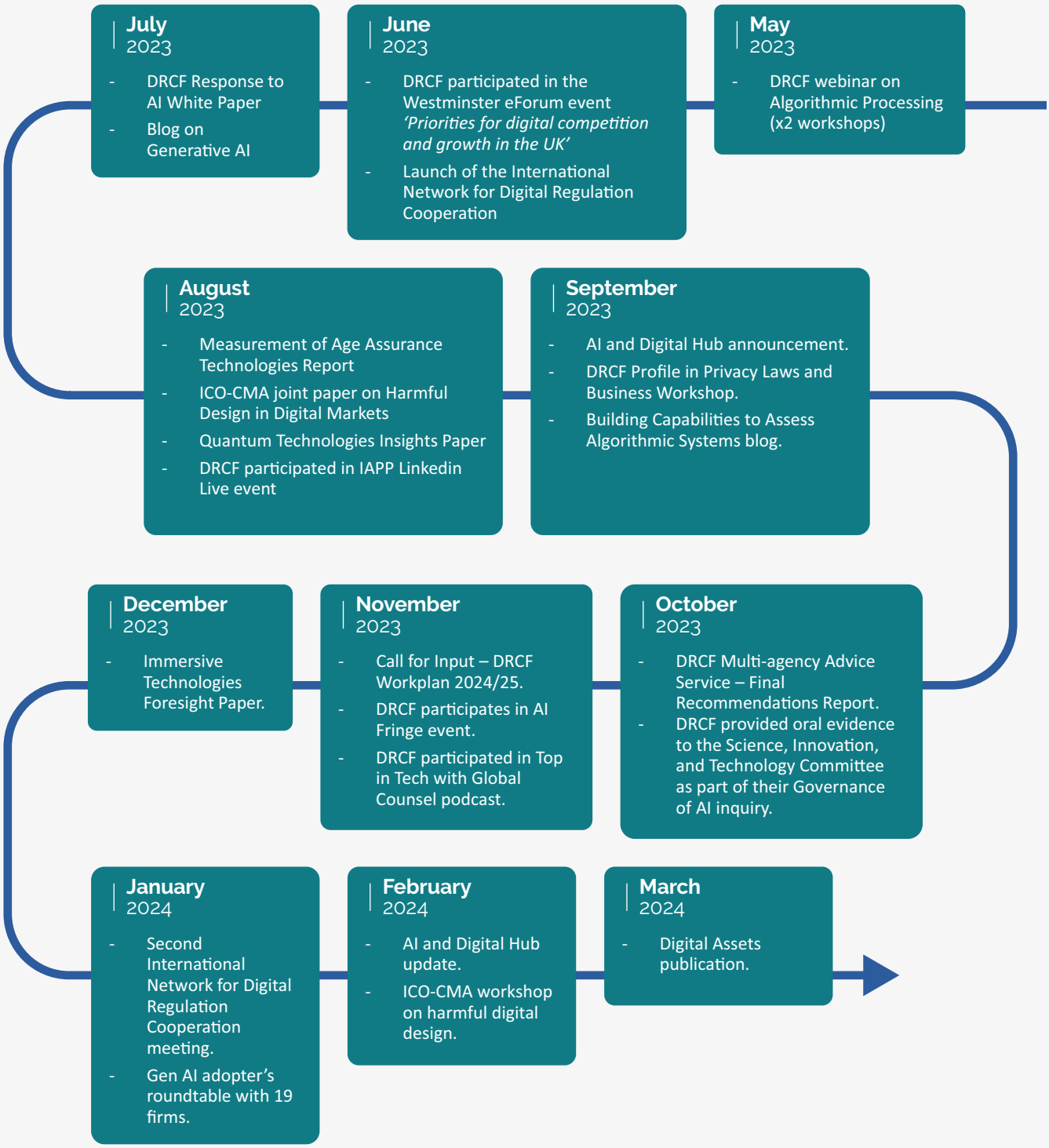
From 2020 to 2023, the DRCF has been directly referenced in over 160 open-source publications. Over this time, we have not only seen the total number of references grow significantly but also in the last 12 months observed a greater diffusion of the DRCF's work within academic literature and across governments internationally.



- Industry, 66
- UK Government and Parliment, 30
- Press, 25
- Civil Society, 23
- Academic Literature, 12
- International Government, 4

Key DRCF outputs across year

2023 /24



coherence | collaboration | capability

Coherence between regimes

The main areas of DRCF coherence work this year involved protecting people online; ensuring regulatory coherence in digital markets; and coordinating on illegal financial promotions. These areas of work and achievements are set out in more detail below.

Our key publications in this area included:

- ICO-CMA workshop on harmful digital design (February 2024):
  DRCF publishes blog on ICO-CMA workshop on harmful digital design | DRCF
- ICO-CMA webinar on harmful design practices in digital markets (December 2023):
  ICO-CMA webinar on harmful design practices in digital markets
- Measurement of Age Assurance Technologies (August 2023):
  New Report on Age Assurance Technologies | DRCF
- ICO-CMA joint paper on Harmful Design in Digital Markets (August 2023):
  ICO and CMA publish paper on Harmful Design in Digital Markets | DRCF

Protecting people online

The ICO and Ofcom have regulatory responsibilities to uphold the safety and privacy of online users, including children. The ICO's Children's Code[2] came into force in September 2020, with a one-year transition period to September 2021. In 2023, Ofcom took on new supervisory responsibilities to set and enforce standards to protect all users, including children, from illegal content online following the introduction of the OSA in October 2023.

In November 2022, the ICO and Ofcom published a joint statement[3] setting out a shared vision for coherent interaction between the online safety and data protection regimes. This year, the ICO and Ofcom worked towards achieving this vision through building and maintaining a common understanding of the areas of synergy and tension between these two regimes.

2 age-appropriate-design-a-code-of-practice-for-online-services-2-1.pdf (ico.org.uk)
3 Online Safety and Data Protection: A joint statement by Ofcom and the Information Commissioner's Office (ICO). 25 November 2022.

The ICO and Ofcom undertook industry engagement to understand practical compliance challenges and to help build an understanding of compliance approaches, conducted research, and established processes to maintain awareness of supervision and enforcement activities (including between the Video-Sharing Platform and Children's Code regimes).

In August 2023, we published our Measurement of Age Assurance Technologies report, improving our understanding of the complexities of measuring the technical accuracy levels achievable by age assurance solutions. The report provided a useful base for thinking on how we can continue to develop our understanding of measuring technical accuracy in this area.

In tackling online safety, it is essential that users of online services have confidence that their privacy will be protected. The ICO and Ofcom have worked together extensively on Ofcom's illegal content consultation and Age Assurance guidance and the ICO Commissioner's Opinion on Age Assurance and its content moderation guidance, to ensure a coherent approach and promote regulatory certainty. The ICO and Ofcom have also deepened supervisory and enforcement collaboration.

Regulatory coherence in digital markets

The 2021 joint statement[4] by the CMA and the ICO established how data protection and competition regulatory objectives work together to promote the interests of both businesses and consumers. This year, the CMA and the ICO have continued efforts to promote these objectives through various initiatives.

The CMA and ICO continue to monitor the effectiveness of Google's Privacy Sandbox commitments. This initiative is driven by the objective of promoting competition and fostering privacy-friendly outcomes in online advertising markets ahead of Google's plans to remove third party cookies from Chrome.

In August 2023, the CMA and ICO published a joint position paper setting out examples of problematic design practices that can raise data protection, competition, and consumer protection concerns.

Collaboration is underway to combine regulatory expertise and insights on emerging digital market issues. Work to produce a joint statement on foundation models is ongoing (to be published in 2024). This will build on the CMA's initial report into Foundation Models[5] and the ICO's ongoing work on generative AI.[6]

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4 Competition and data protection in digital markets joint statement (publishing.service.gov.uk)
5 AI Foundation Models: initial review - GOV.UK (www.gov.uk)
6 ICO consultation series on generative AI and data protection | ICO

In preparation for the forthcoming DMCC and DPDI legislation, both regulators are collaborating closely to understand the interplay between these new regimes and to develop a cohesive regulatory approach.[7]

Illegal online financial promotions

Ofcom and the FCA have continued to deliver an ongoing programme of work on online illegal financial promotions. A series of workshops enabled Ofcom to benefit from the FCA's expertise in illegal financial promotions in the development of the regulatory products in Ofcom's Illegal Harms Consultation.[8] This included close work on Ofcom's Illegal Content Judgement Guidance, which helps services identify illegal content on their service, and to ensure coherence between the respective regimes.

7 These parliamentary processes are expected to conclude – and legislation is expected to commence – during 2024.
8 Consultation: Protecting people from illegal harms online, Ofcom, held between 9 November 2023-23 February 2024. https://www.ofcom.org.uk/consultations-and-statements/category-1/protecting-people-from-illegal-content-online

Collaboration on cross-cutting issues

This year, the DRCF's collaboration activities focused on three issues that span across its members' regulatory remits: promoting effective governance in algorithmic systems; developing ways to support innovators in complying with multiple regulatory regimes; and developing our collective understanding of digital assets. By bringing experts together and combining our thinking, we worked together to develop joint thinking and to tackle emerging challenges.

Our key milestones and publications in this area include:

Algorithmic Processing

- Roundtable with adopters of generative AI, involving 19 firms (January 2024)
- Blog on Building Capabilities to Assess Algorithmic Systems (September 2023):
  New Blog on Building Capabilities to Assess Algorithmic Systems | DRCF
- Generative AI blog (July 2023):
  New Blog on Generative AI | DRCF
- DRCF Response to AI White Paper (July 2023):
  DRCF Responds to AI White Paper | DRCF
- DRCF webinar on Algorithmic Processing (May 2023):
  DRCF Webinar - Algorithmic Processing | DRCF

AI and Digital Hub Pilot

- AI and Digital Hub update (February 2024):
  Update on the DRCF AI and Digital Hub | DRCF
- DRCF Multi-agency Advice Service - Final Recommendations Report (October 2023):
  New Report - DRCF Multi-agency Advice Service, Final Recommendations | DRCF
- AI and Digital Hub announcement (September 2023):
  DRCF to pilot new advisory service as part of Government's plans for AI | DRCF

Supporting the effective governance of AI and algorithmic systems

The use of algorithms to process data underpins many digital services. As regulators of digital services, the DRCF member regulators support the use of algorithmic systems in a way that promotes the benefits of algorithms and mitigates the risks.

We have worked together to respond to new and emerging AI risks across our sectors. This has included looking at the potential implications of generative AI. In January 2024, we held a workshop with technology adopters, attended by 19 stakeholders, to find out more about the use and challenges of adopting generative AI. We have also conducted research into the consumer use of generative AI, exploring consumer levels of trust and understanding of the technology.

The Government's 'A pro-innovation approach to AI regulation'[9] sets out five principles to guide and inform the responsible development and use of AI across all sectors of the economy. The Government has asked that each regulator interpret and apply each of the principles within their remit, with flexibility to exercise judgement when applying the principles in particular contexts.

DRCF members held a workshop to examine the 'fairness' principle. We considered the meaning of "fairness" in our respective statutory remits, the approaches that we are each taking to its application in digital environments, and interaction between our various approaches. The Equality and Human Rights Commission (EHRC) took part in this discussion to contribute insights, including on their work in applying longstanding legal frameworks to the use of new technologies.

This year, we built on our previous publication exploring algorithmic auditing, the existing landscape, and the role of regulators. This work has culminated in an extensive mapping of the third-party algorithmic assessment market, including in-depth interviews with active assessors to understand their current capabilities and challenges. We plan to publish the insights gained from our engagement with this growing market in summer 2024.

Enabling innovation in the industries we regulate: The DRCF AI and Digital Hub

Innovation plays an important role in the UK economy, driving growth, competitiveness, and efficiency across the sectors our members regulate. The DRCF aims to make it easier for firms who need to comply across our respective regimes to do business.

9 A pro-innovation approach to AI regulation: government response, https://www.gov.uk/government/consultations/ai-regulation-a-pro-innovation-approach-policy-proposals/outcome/a-pro-innovation-approach-to-ai-regulation-government-response

This year, with funding from the **Regulators' Pioneer Fund**, the DRCF commissioned research to consider how we can help innovators test their ideas. The research included engagement with a range of innovators - including new and established firms, both large and small - in a variety of sectors. What we heard was consistent: innovators of cutting-edge technologies, such as large language models and digital identity, want streamlined access to joined-up, tailored regulatory support to help them bring new products and services to market.

In September 2023, we announced plans to pilot a new multi-regulator advice service, the DRCF 'AI and Digital Hub', with funding from the Government. The aim of the Hub is to increase innovators' confidence in bringing new AI and digital products safely to market, by helping them understand and navigate regulatory requirements. It will provide informal advice to innovators seeking responses to their complex AI and digital questions that cross at least two member regulators' remits and benefit consumers, industry, and the economy. The Hub will be launched in Spring 2024.

Successful applicants will be able to direct their questions to DRCF regulators through a single point of access and receive tailored support.

To extend the benefits of the service, we will publish the outcomes as case studies on our website as we address queries in the Hub. This case study resource will mean that future innovators can look for answers to questions online before applying to the Hub. This will help us support a greater number of innovators and speed up the innovation process.

Understanding the benefits and harms posed by digital assets

Recognising the potential for further growth of digital assets such as cryptocurrencies, regulators are keen to understand their risks and benefits for consumers, particularly from financial and data protection perspectives.

During 2023-24, the FCA and ICO commissioned joint research to deepen our collective understanding of consumer attitudes towards these products. This qualitative research will provid valuable insight into consumers' experiences, including how they get information about assets, their awareness of how regulation applies and how they perceive the risks and benefits of investing.

The research will be published in April 2024. We welcome further views on the issues in the report in due course.

Capability building across regulators

The DRCF's work to build capabilities provides opportunities for coordination and mutual learning among its members. This year, we facilitated the exchange of knowledge at all levels and across a variety of strategic and operational areas, promoting stronger working relationships. We also developed our successful horizon scanning programme of work to jointly identify and analyse emerging technologies and understand their impact on members' regulatory remits. Building on the DRCF's work on talent attraction and learning and development undertaken last year, we continued to collaborate in these areas by conducting research to understand the digital skills and capabilities needs of members.

Our key publications in this area include:

- Immersive Technologies Foresight Paper (December 2023): **DRCF Publishes Immersive Technologies Foresight Paper | DRCF**
- Quantum Technologies Insights Paper (August 2023): **New DRCF Quantum Insights Paper | DRCF**

Joint horizon scanning to develop insights into emerging technologies

The DRCF's horizon scanning programme takes a proactive approach to understanding the potential benefits, risks, and regulatory implications of emerging technologies, improving our collective understanding and informing our strategic response to these areas.

In August 2023, we published a 'Quantum Technologies Insights Paper', building on the DRCF Quantum Symposium held in collaboration with Digital Catapult and the National Quantum Computing Centre (NQCC) in February 2023. The paper discusses the nature and potential of quantum technologies and identifies key considerations for regulators in a quantum-enabled world.

Following our call for input into the 2023-24 Workplan, this year we have focused on two further topics: immersive technologies and the future of digital ID.

- Immersive technologies encompass different systems and services such as virtual reality (VR), mixed reality (MR) and augmented reality (AR) to enable novel computer-generated environments. While offering potential benefits to consumers, businesses, and the wider economy, they also pose potential risks for example to privacy and online safety. We published an 'Immersive Technologies Foresight Paper', which summarised our research and engagement with industry and outlined the regulatory considerations that might emerge if uptake of these technologies grows.

- Digital identity is a digital representation of your identity that can confirm who you are without physical documents. These technologies could enable new business models and greater digitisation of a range of services, and their adoption has the potential to significantly impact digital technologies, affecting all DRCF member regulators' remits. We have engaged with industry and experts to explore and understand its potential impact in various fields of technology. We will develop a detailed report to support internal policy teams, and we will publish a summary of our findings in summer 2024.

Promoting stronger working relationships between member regulators

The DRCF plays an important role in fostering expertise among the regulators and sharing knowledge, best practice, and information. We facilitate strategic and operational knowledge sharing between our member regulators at all levels, from CEOs to strategy directors to CTOs to networks. They collaborate on specific issues such as privacy-enhancing technologies (PETs), online advertising and cyber security and resilience. We also bring together colleagues to discuss the "how" as well as the "what" of good regulatory practice, for example linking up project management expertise to share best practices on agile methodology.

We have engaged with staff across our member regulators to share achievements and milestones of DRCF projects. We have circulated two internal newsletters with updates on all our projects and presented at eight internal events, alongside publishing six DRCF staff spotlights on member regulator intranets.

Attracting talent and developing skills in all four member regulators

The DRCF provides a forum for members to work collectively to build capabilities and attract new talent, supporting each of the member regulators' individual transformation programmes.

In July 2023, the DRCF undertook research with members to understand the skills, capabilities, and learning priorities of its members and explored opportunities for collaborating in these priority areas. We are now sharing learning materials (where appropriate and relevant), developing a programme of targeted events, and opening learning events between regulators so that all staff benefit from increased digital learning opportunities.

In September 2022, we hired the DRCF's first graduate. This year, we continued supporting this graduate through their six-month rotations. Keen to build on the success of this pilot scheme, we are exploring opportunities for broadening this initiative through a series of cross-regulatory graduate secondments. We have also advertised secondment opportunities between our member regulators. Meanwhile, colleagues working on DRCF projects benefit from opportunities to share experience and learn from other regulators' perspectives.

Developing the use of supervisory technology in regulation

This year, the DRCF set out to leverage the use of technologies to assist its member regulators in their exercise of their functions. We started to collaborate on the use of AI and machine learning both in members' internal operations and in their supervisory capacities and will continue this work in the next workplan year (see page 13 of the 2024/25 Workplan).

Engagement with Parliament, government, industry, and consumer groups

Engagement with stakeholders is an essential way to improve our understanding of the interplay between the DRCF member's regulatory remits, and to gather inputs and insights to inform our thinking and amplify the impact of project outcomes. This year, we have invested in relationships with stakeholders from across industry, civil society, government, Parliament, other regulators, and international counterparts.

This year, the DRCF engaged with stakeholders in a range of forums and events including:

33 speaking events

Participating in 33 speaking events , including panel discussions, speeches and presentations, online discussions and a podcast. 4 Select Committee inquiries: Providing evidence - both oral and written - to four Select Committee inquiries and Department consultations.

4 Select Committee inquiries

Providing evidence - both oral and written - to four Select Committee inquiries and Department consultations.

7 international meetings

Leading and chairing two meetings of our recently formed INDRC and holding five meetings with regulators from international jurisdictions.

Regular engagement

with 11 non-DRCF regulators through our quarterly regulatory roundtables.

Our key milestones and publications in this area include:

- DRCF event with techUK (April 2024):
  Navigating the UK's Digital Regulation Landscape: where are we headed?
- Second INDRC meeting (January 2024).
- DRCF participates in Computers, Privacy and Data Protection (CPDP) Brussels conference panel 'Data-driven Practices through a Cross-regulatory Lens: The Future of Digital Governance' (January 2024).
- DRCF participates in AI Fringe event (November 2023):
  DRCF Collaborates on Regulatory Panel at AI Fringe | DRCF
- DRCF participates in Top in Tech with Global Counsel podcast (November 2023):
  New Podcast - Top in Tech with Global Counsel | DRCF
- DRCF provided oral evidence to the Science, Innovation, and Technology Committee as part of their Governance of AI enquiry (October 2023): **Governance of AI inquiry: Parliamentlive.tv - Science, Innovation and Technology Committee**
- DRCF Profile in Privacy Laws and Business Workshop (September 2023):
  DRCF Profile at Privacy Laws & Business Workshop | DRCF
- DRCF participates in IAPP LinkedIn Live event (August 2023):
  LinkedIn Live - Kate Jones and Stephen Almond | DRCF
- DRCF participated in the Westminster eForum event 'Priorities for digital competition and growth in the UK' (June 2023):
  Kate Jones speaks at Westminster eForum Policy Conference | DRCF
- Launch of the INDRC Network for Digital Regulation Cooperation (June 2023):
  Launch of the International Network for Digital Regulation Cooperation (INDRC) | DRCF

Digital sector engagement

DRCF projects sought industry input throughout their work including horizon scanning events and chairing roundtables. Highlights include hosting a roundtable with early adopters of Generative AI and holding a workshop with the EHRC to share ideas about implementing the fairness principle in the AI White Paper. The DRCF Horizon Scanning and Emerging Technologies Team presented key points from their Immersive Technologies Foresight Paper to a range of industry and parliamentary stakeholders.

The DRCF engaged with more than 60 innovators as part of its research into how regulators can support the work of innovators; 19 organisations who are adopting generative AI; and 31 consumers in our research on investment in digital assets.

The DRCF has participated in 33 speaking events. In November 2023, we held a regulatory panel at the AI Summit fringe event. The DRCF CEO spoke about the future of digital regulation at the 10-year anniversary of the UK Regulators' Network (UKRN) at the House of Commons in March 2024.

Government and parliamentary engagement

The DRCF recognises the parliamentary interest in our work and its relevance to areas of government policy.

We provided evidence to two department consultations, and evidence - both oral and written - to the House of Lords Communications and Digital Committee and the House of Commons Science, Innovation and Technology Committee. We met with the Chair of the All-Party Parliamentary Group on Digital Regulation and Responsibility, and several frontbench spokespersons for technology and business issues. We continue to engage with digital regulation teams within the Government where appropriate. Our member regulators regularly discuss the DRCF in their engagements with Select Committees, Parliamentarians and government officials.

Regulatory engagement

The DRCF prioritises sharing lessons with and learning from other regulators. We have convened quarterly regulator roundtables attended by 11 non-member regulators[10] to share insights on how different regulators are approaching digital issues. Topics discussed this year included online safety, AI, and immersive technologies. We have also had discussions with representatives of other regulators and the Regulatory Horizons Council.

International engagement

This year we expanded the DRCF's international reach through a programme of multilateral and bilateral engagement. In June 2023, we established the INDRC as a platform for other regulatory coordination bodies to share insights into global approaches to regulatory coherence and cooperation, and foster relationships between regulatory authorities on digital regulation matters. We held a second meeting of the INDRC in January 2024 and engaged with various bodies across many countries and jurisdictions. We participated in seven international events, addressing diverse audiences on the significance of digital reforms, the need for regulatory coherence in the digital economy, and emphasising the role of UK regulators in international debates.

10 Electoral Commission
Gambling Commission
Advertising Standards Authority (ASA)
Payment Systems Regulator (PSR)
Bank of England
Intellectual Property Office (IPO)
British Board of Film Classification (BBFC)
Equalities and Human Rights Commission (EHRC)
Medicines and Health Products Regulatory Authority (MHRA)
Care Quality Commission
Office for Statistics Regulation

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