

## 'Transformative' AI models under UK regulatory scrutiny for competition, consumer risks

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Artificial intelligence is a "transformative" technology that brings a host of opportunities but also many risks, the UK's competition regulator said today as it opened "an initial review of competition and consumer protection considerations" in a sector making headlines through chatbots such as OpenAI's ChatGPT. The CMA review builds on a government policy paper on AI in March and will lead to a report due in September.

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The Competition and Markets Authority said it would produce a report on its findings in September (see [here](#)). It is seeking views until early June.

The review follows a UK government pre-legislation policy paper on AI in March this year that called on regulators to implement principles to guide and inform the development of AI, which is increasingly on the radar of enforcers for its impact on both business and society, such as jobs and privacy rights.

The purpose of the review, the CMA said in a statement, is to "help create an early understanding of the market for foundation models" — which include "large language" models and "generative" AI systems as seen in applications such as chatbots, code-writing assistants and image generators — and their potential impact on markets including software, social media and retailing.

The speed at which AI models are "scaling across uses and markets is unrivaled in economic history," the CMA said. "Sustaining this innovation and maximizing its potential for people and businesses for the years ahead will require open, competitive markets, as well as effective consumer protection."

It said the risks from unfettered activity in AI can include concentration of market power and consumer harm. "The development of AI touches upon a number of important issues, including safety, security, copyright, privacy and human rights, as well as the ways markets work," it said.

— Review focus —

The review will focus on three themes: Competition and barriers to entry in the development of foundation models; the impact that foundation models may have on competition in other markets; and consumer protection.

It will examine how the markets for foundation models and their usage could evolve, and what opportunities and risks these scenarios could bring for competition and consumer protection.

The CMA said the government has asked it and other regulators to think about how the "innovative development and deployment" of AI accommodates principles such as safety, security, transparency and governance.

In its March policy paper, the government noted that a "pro-innovation and proportionate approach to the regulation of how AI is used is key to realizing the benefits it has to offer," the CMA said.

The authority said it would work closely on the review with the Office for AI, sitting in the government's Department for Science, Innovation and Technology, as well as other regulators of the Digital Regulation Cooperation Forum such as the Financial Conduct Authority and Information Commissioner's Office, and it will share findings with government to help inform the UK's AI strategy.

The CMA said it has taken steps to ensure it is "proactive and forward-looking in the emergence of new technologies or emerging markets." This includes the development of its "internal horizon scanning capabilities" to identify new and emerging technologies and trends in digital markets.

The watchdog's chief executive, Sarah Cardell, said the benefits of AI should be tapped, but cautioned that it also created risks from false and misleading information.

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**Areas of Interest:** Antitrust, Data Privacy & Security

**Industries:** Communication Services, Information Technology

**Geographies:** Europe, European Countries, United Kingdom

**Topics:**

AI (Artificial Intelligence)