

DIGITAL



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Part of the Horizon Scanning series

The rate of change in the technology and digital landscape shows no signs of slowing in 2024. While this environment makes it difficult for legislatures to keep pace, the global drive to regulate means that existing laws are evolving, new rules are being agreed and ‘soft regulation’ (standards, guidance etc.) are more important than ever.



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AI

The race to establish innovation friendly AI regulation in a globally competitive market continues, with the UK, EU, US and China all active in this space. Existing laws are being tested in the courts and new legislation and guidance is expected in 2024. International co-operation, or at least discussion, around the common risks AI creates, looks set to continue. The UK hosted the inaugural global AI Safety Summit in November 2023, bringing together world leaders, technology companies and AI experts. More summits are planned for 2024, as are AI discussions at the G7 and G20 level.

EUROPEAN TECH M&A RESILIENT, ALTHOUGH VC INVESTMENT STILL CHALLENGING

The European tech sector was not immune from challenging market conditions in 2023, although M&A activity remained at comparable levels to 2022 fuelled in particular by digital infrastructure transactions. Acquirers continue to see opportunities to deliver value, often with more structured

deals to mitigate potential downside. VC investment has been challenging, although again funding is still there for the right companies, with earlier-stage investment still being seen in particular across the AI, FinTech, ClimateTech and HealthTech sectors. We expect these trends to continue into 2024, with the possibility of a “bounceback” later in the year as more capital becomes available and valuation gaps further close.

CYBER

Ransomware attacks show no signs of slowing and supply chain attacks continue to cause concern, with a number of high profile cases hitting the news in 2023. Looking forward into 2024, it is vital to stay across the changing threat landscape, from a regulatory, technical, and geopolitical perspective. Digital transformation and AI adoption can increase cyber risks, new cyber laws (e.g. NIS2, SEC rules) are impacting a wider number of organisations and state-aligned actors are an emerging threat in sectors linked to critical infrastructure.

DIGITAL INNOVATION IMPACTS ALL AREAS

Are existing laws fit for purpose in a digital age? The rate of technological development across AI, quantum, Web4, IoT etc. is making it difficult for regulators to keep pace. Multiple new legislative proposals also raise concerns around 'regulation fatigue' as organisations struggle to cope with an increasingly complex web of rules and guidance. These new rules often overlap, and are sometimes inconsistent. Moving in to 2024, the need for regulatory coordination is clear, and it is hoped initiatives such as the DRCF's new pilot advisory service will help.

TECH LEADING THE ESG AGENDA

'Greenwashing' and other climate change litigation claims have led to material legal, reputational and financial repercussions for global tech companies. The reporting landscape has become increasingly complex for tech companies, with a greater volume and sophistication of ESG related reporting legislation. European regulators are at the forefront of this drive.

BIG TECH V ANTITRUST

European antitrust agencies are taking a leading role in global interventionism against Big Tech, and agencies worldwide are stepping up efforts to cooperate with each other. Concerns around killer acquisitions impacting innovation are driving expansive approaches to jurisdiction and new merger control notification requirements, and agencies are increasingly ready to intervene in transactions on the basis of complex theories of harm across vertical or adjacent markets. Antitrust agencies are proactively monitoring new and evolving tech markets to identify potential future competition concerns.

DIGITAL TRANSFORMATION

In order to compete and meet customer needs, companies are pivoting away from old processes and embracing new technologies. This brings opportunities - to enter new markets, attract new customers, commercialise data, increase efficiencies etc. However, transformation projects carry operational, reputational and regulatory risk, and when things go wrong the impact can be far reaching. Maintaining operational resilience is key, particularly in regulated sectors. Extensions to the reach of financial regulators over

critical third parties (e.g. IT providers) in both the UK and EU demonstrate the regulatory focus in this area. Good governance and risk management is also vital.

CRYPTO AND SMART CONTRACTS

2024 will ring in a new approach to cryptoassets in the UK, as the government lays secondary legislation to bring a broader range of cryptoasset activities within scope of the regulatory perimeter. In parallel the EU's standalone cryptoasset legislation, the Markets in Crypto Assets Regulation (MiCA), will start to take effect from late June (with full application from December 2024, subject to transitional provision). Meanwhile, conversations on the viability of a retail central bank digital currency have progressed beyond initial exploration in both the UK and EU.

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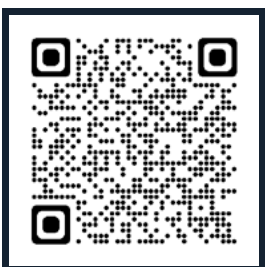
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