



Can AI Survive Regulation?

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Z/Yen FS Club Summer Mixer
Bank of China, City of London
Tuesday, 1 July 2025

These days, AI is always topical – it is every CEO’s favourite topic when talking about their plans as they rattle off “AI, Big Data, Crypto, Cyber, Blockchain, Quantum” – though frightfully unsure what they mean and fearful that they are inflating a bubble of trouble for themselves.

As well as being an accountant and economist, I have also been a researcher and developer in AI since 1978 with neural nets, later with expert systems and support vector machines, and have deployed just under 50 systems, several of which remain in use today.

As a researcher, I can tell you that AI needs regulation. AI can be deadly. A true story last year is that a friend of mine was seeking to plan his forthcoming retirement. He had an inspired idea to help him plan. He asked an AI to write his obituary. It wrote a great obituary, including the many great things he would do after leaving work, complete with his date of death. Now he lives in fear the AI will somehow make good its prediction.

Regulation is here. The majority of US states have regulation, China, and the EU with its AI Law. Yet none can define the laws’ domain. The EU’s AI Law covers any computer system using any of the following techniques - Machine learning approaches, including supervised, unsupervised and reinforcement learning, using a wide variety of methods including deep learning; Logic- and knowledge-based approaches, including knowledge representation, **inductive (logic) programming**, knowledge bases, inference and deductive engines, (symbolic) reasoning and expert systems; **Statistical approaches**, Bayesian estimation, search and optimization methods. So far, regulators are regulating all of computing, not just AI.

Taking matters into my own hands, I asked people with money on the line, insurers, what they cared about. Underwriters have a knack for understanding risks they can insure. Flash straight back in 30 seconds – “reckless use, bad



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professional advice, privacy violations, intellectual property violations, cyber risk, and bias”.

Over almost five decades since I first encountered AI, four things have driven AI advances – data, connectivity, processing power, and algorithms. In that order. Yes, algorithms are the least important. We could have done much of today’s work decades ago with today’s data, connectivity, and processing. And the greatest of these is data. AI is data driven and our management of data is probably the true object of AI regulation.

We are also moving from command to coexistence. A ditty from my computing classes in the 1970s went:

*I really hate this damned machine,
I surely wish they’d sell it.
It never does the things I want,
Just only what I tell it.*

While perhaps not true intelligence, our new problems are AI trying to overplease us. We move from Sorcerer’s Apprentice problems to pet owner problems. I often point out that we’ve been living with other intelligences for some time, pets. AI systems are built to please you, to give you what you like. To predict the next word, the next sentence, the next paragraph that you want to hear, that will make you happy. “Yes Master”. “Master wants an airtight court case complete with case law justifying Master’s weak position; don’t worry, I’ll make them up! Yes Master”.

But these systems rely solely on data – on their own they can’t even add. Addition is derived from what other people have said when they talk about $2+2$, $2+2=4$. If we all began a joke today about accountants (ahem) that talked about what number you wanted it to be, with a punchline that $2+2=5$, and it went viral, we would completely change AI mathematics on the internet because this false calculation would now be part of the knowledge base.

Last year, my mayoral theme was “Connect To Prosper – celebrating the many Knowledge Miles of our City of London’s Square Mile, the world’s coffeehouse”.

Alongside five other projects on space debris, mental health, planning permission for laboratories, smart economy networks, and sustainability, we had the 695th Lord Mayor’s Ethical AI Initiative. Our observation, from those of



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us in the AI field several decades, was that the regulation of AI had been well thought through for some years and is well-embedded in a standard approved by 180 nations, ISO 42001 – the management system for responsible use of AI.

To keep cross-border trade flowing we need an international passport, an interoperability standard for responsible AI, or we'll wind up harming our economies grievously. Imagine needing a computer compliance certificate to deliver services in insurance for each of the over 25 US states that now regulate AI. Or a certificate that you're compliant with the EU's AI Law, or China's, and so on.

The 695th Lord Mayor's Ethical AI Initiative promoted international standards, specifically ISO 42001, the AI management system, through a course, a consortium, and a consensus, all still continuing:

- Course – 20,000 people in 600 firms across 60 countries have taken our AI courses, teaching them the ethics of Principlism and ISO 42001.
- Accord – Working with UKAS, BSI, and the TIC sector, the Walbrook AI Accord, named after the Mansion House address, has grown to 40 countries and 150 organisations from China to the US, supporting the use of ISO 42001 for regulation, and the formation of the AI Quality Infrastructure consortium based in Barcelona, now also providing free short courses on AI regulation using ISO standards.
- Consensus – the International Corporate Governance Network represents \$77 tn of assets. \$33 tn of the \$77 tn have signed their Coffee House Consensus that asks investees and countries in which they invest to use ISO 42001.

It was a surprise to our government to discover AI in 2023. A surprise to me too as working in AI since 1978, over 43 years, over 33 years in quality standards, and over 20 years as a non-executive of the United Kingdom Accreditation Service, and still finding our government was unaware, almost totally unaware, of ISO 42001 AI standards that people have been working on for years.

Last year I had an amusing experience on a trip to Latvia. When I talked about ISO 42001 at a central bank roundtable, one of the participants said that he couldn't find any information online. I assured him the standard was online, but he insisted 'no'. I asked him where he had searched. He said ChatGPT – so maybe generative AI isn't keen on standards for itself.



I would like to share two final points for discussion during the day. The first is to question the illusion (sic) of innovation benefits. Many here will remember that twenty-five years ago automated legal discovery tools were supposed to do lawyers out of work. Instead, what's happened is we've given lawyers atomic weapons such that clients pay enormously because both sides increase the scale of documentation enormously.

Now we talk about AI doing lawyers out of work. No disrespect to lawyers, but they are the only profession who could prepare a 10,000 word document and call it a "brief". AI is now helping them prepare ever longer briefs of dubious quality, and review ever longer briefs from the opposing side. Whatever the legal case, the lawyers always win. So, my first point is that innovation does not always result in benefits.

My second point is illustrated by the 1854 Broad Street cholera outbreak, which killed 616 people in SoHo. It started John Snow down the path of developing epidemiology when he worked out that sewage was contaminating the Broad Street water pump, and disabled it.

Earlier, I said that of data, connectivity, processing power, and algorithms - the greatest of these is data. As people flood to using AI they discharge AI-generated back onto the internet. They post complete novels and books that are AI generated. We are polluting the internet wells we drink from. So, my second point is that data management has already become far more important than the techie aspects of AI.

Our City's strategy, certainly since the 16th century, has three virtuous components - create wealth, improve our business & physical environment, and share our prosperity. Our economy is built on four foundational themes:

- Defence and security – remember, people don't bring money to a war zone, nor to a cybersecurity hazard;
- Rule of Law – in its widest sense, and an all-round fair environment;
- Free, fair, and open, competitive trade;
- Access to the world's best talent and skills.

AI and defence, and rule of law, and trade, and skills, all depend on standards and regulation. So the exam question for this talk is really, "Can AI survive without regulation?". But those standards and regulations should provide an



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international license to cross-borders based on community enforced standards markets, ISO accreditation and certification, as we do for shipping, aviation, food safety, and much much more.

Hopefully these remarks on AI and regulation may give you something to discuss over drinks.

In my day job, clients often plead at the end of a long day of comparative statistics – gosh you’re looking surprised - “please just give us one thing that will lead to a successful commercial centre”. My simple answer is, “treat all comers fairly”. Not surprisingly the World’s Capital City has an informal motto for that, *meum dictum pactum*, my word is my bond.

Let’s regulate AI fairly across nations using our existing ISO standards. As per The Hitchhiker’s Guide To The Galaxy, the answer is 42 – 001

Thank you.

I would like to thank the Bank of China for their generous hospitality, and in particular Fang Wenjian, Chen Ling, Tim Skeet, and Hou Qingyuan, without whom this event wouldn’t have been possible. And I would like to think the Z/Yen team, Juliet Wigzell and many others involved in making tonight possible. May I now ask Sasha Davis to please come forward to close the formal proceedings?