

# DRAFT Guidance for Regulation of Artificial Intelligence Applications

This draft Memorandum sets out policy considerations that should guide, to the extent permitted by law, regulatory and non-regulatory oversight of AI applications developed and deployed outside of the Federal government. Although Federal agencies currently use AI in many ways to perform their missions, government use of AI is outside the scope of this Memorandum. While this Memorandum uses the definition of AI recently codified in statute,<sup>2</sup> it focuses on “narrow” (also known as “weak”) AI, which goes beyond advanced conventional computing to learn and perform domain-specific or specialized tasks by extracting information from data sets, or other structured or unstructured sources of information. More theoretical applications of “strong” or “general” AI—AI that may exhibit sentience or consciousness, can be applied to a wide variety of cross-domain activities and perform at the level of, or better than a human agent, or has the capacity to self-improve its general cognitive abilities similar to or beyond human capabilities—are beyond the scope of this Memorandum.

Encouraging Innovation and Growth in AI — As stated in Executive Order 13859, “the policy of the United States Government [is] to sustain and enhance the scientific, technological, and economic leadership position of the United States in AI.”<sup>3</sup> The deployment of AI holds the promise to improve safety, fairness, welfare, transparency, and other social goals, and America’s maintenance of its status as a global leader in AI development is vital to preserving our economic and national security. The importance of developing and deploying AI requires a regulatory approach that fosters innovation, growth, and engenders trust, while protecting core American values, through both regulatory and nonregulatory actions and reducing unnecessary barriers to the development and deployment of AI. To that end, Federal agencies must avoid regulatory or non-regulatory actions that needlessly hamper AI innovation and growth. Where permitted by law, when deciding whether and how to regulate in an area that may affect AI applications, agencies should assess the effect of the potential regulation on AI innovation and growth. Agencies must avoid a precautionary approach that holds AI systems to such an impossibly high standard that society cannot enjoy their benefits. Where AI entails risk, agencies should consider the potential benefits and costs of employing AI, when compared to the systems AI has been designed to complement or replace. Furthermore, in the context of AI, as in other settings, agencies must consider the effect of Federal regulation on existing or potential actions by State and local governments. In some circumstances, agencies may use their authority to address inconsistent, burdensome, and duplicative State laws that prevent the emergence of a national market. Where a uniform national standard for a specific aspect related to AI is not essential, however, agencies should consider forgoing regulatory action.

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## Office of Management and Budget (OMB)

### Stakeholder(s):

Russell T. Vought :

*Acting Director — Executive Order 13859, “Maintaining American Leadership in Artificial Intelligence,”<sup>1</sup> requires the Director of the Office of Management and Budget (OMB), in coordination with the Director of the Office of Science and Technology Policy, the Director of the Domestic Policy Council, and the Director of the National Economic Council, to issue a memorandum that provides guidance to all Federal agencies to inform the development of regulatory and nonregulatory approaches regarding technologies and industrial sectors that are empowered or enabled by artificial intelligence (AI) and consider ways to reduce barriers to the development and adoption of AI technologies. Consistent with Executive Order 13859, OMB guidance on these matters seeks to support the U.S. approach to free markets, federalism, and good regulatory practices (GRPs), which has led to a robust innovation ecosystem. When considering regulations or policies related to AI applications, agencies should continue to promote advancements in technology and innovation, while protecting American technology, economic and national security, privacy, civil liberties, and other American values, including the principles of freedom, human rights, the rule of law, and respect for intellectual property.*

Regulatory Agencies :

*Agency Plans to Achieve Consistency with this Memorandum — Executive Order 13859 requires that implementing agencies with regulatory authorities review their authorities relevant to AI applications and submit plans to OMB on achieving consistency with this Memorandum. The agency plan must identify any statutory authorities specifically governing agency regulation of AI applications, as well as collections of AI-related information from regulated entities. For these collections, agencies should describe any statutory restrictions on the collection or sharing of information (e.g., confidential business information, personally identifiable information, protected health information, law enforcement information, and classified or other national security information). The agency plan must also report on the outcomes of stakeholder engagements that identify existing regulatory barriers to AI applications and high-priority AI applications that are within an agency’s regulatory authorities. OMB also requests agencies to list and describe any planned or considered regulatory actions on AI. Appendix B provides a template for agency plans. Agency plans are due on [date 180 days after this Memorandum is issued] and should be submitted to [xx@omb.eop.gov].*

### Vision

Innovation and growth in AI

### Mission

To sets out policy considerations that should guide regulatory and non-regulatory oversight of AI applications developed and deployed outside of the Federal government.

### Values

**Stewardship:** Principles for the Stewardship of AI Applications -- Consistent with law, agencies should take into consideration the following principles when formulating regulatory and non-regulatory approaches to the design, development, deployment, and operation of AI applications, both general and sector-specific. These principles, many of which are interrelated, reflect the goals and principles in Executive Order 13859. Agencies should calibrate approaches concerning these principles and consider case-specific factors to optimize net benefits. Given that many AI applications do not necessarily raise novel issues, these considerations also reflect longstanding Federal regulatory principles and practices that are relevant to promoting the innovative use of AI. Promoting innovation and growth of AI is a high priority of the United States government. Fostering innovation and growth through forbearing from new regulations may be appropriate. Agencies should consider new regulation only after they have reached the decision, in light of the foregoing section and other considerations, that Federal regulation is necessary.

**Trust:** 1. Public Trust in AI -- AI is expected to have a positive impact across sectors of social and economic life, including employment, transportation, education, finance, healthcare, personal security, and manufacturing. At the same time, AI applications could pose risks to privacy, individual rights, autonomy, and civil liberties that must be carefully assessed and appropriately addressed. Its continued adoption and acceptance will depend significantly on public trust and validation. It is therefore important that the government's regulatory and non-regulatory approaches to AI promote reliable, robust, and trustworthy AI applications, which will contribute to public trust in AI. The appropriate regulatory or non-regulatory response to privacy and other risks must necessarily depend on the nature of the risk presented and the appropriate mitigations.

**Participation:** 2. Public Participation -- Public participation, especially in those instances where AI uses information about individuals, will improve agency accountability and regulatory outcomes, as well as increase public trust and confidence. Agencies should provide ample opportunities for the public to national standard for a specific aspect related to AI is not essential, however, agencies should consider forgoing regulatory action. Principles for the Stewardship of AI Applications Consistent with law, agencies should take into consideration the following principles when formulating regulatory and non-regulatory approaches to the design, development, deployment, and operation of AI applications, both general and sector-specific. These principles, many of which are interrelated, reflect the goals and principles in Executive Order 13859. provide information and participate in all stages of the rulemaking process, to the extent feasible and consistent with legal requirements (including legal constraints on participation in certain situations, for example, national security preventing imminent threat to or responding to emergencies). Agencies are also encouraged, to the extent practicable, to inform the public and promote awareness and widespread availability of standards and the creation of other informative documents.

**Scientific Integrity:** 3. Scientific Integrity and Information Quality -- The government's regulatory and non-regulatory approaches to AI applications should leverage scientific and technical information and processes. Agencies should hold information, whether produced by the government or acquired by the government from third parties, that is likely to have a clear and substantial influence on important public policy or private sector decisions (including those made by consumers) to a high standard of quality, transparency, and compliance. Consistent with the principles of scientific integrity in the rulemaking and guidance processes, agencies should develop regulatory approaches to AI in a manner that both informs policy decisions and fosters public trust in AI. Best practices include transparently articulating the strengths, weaknesses, intended optimizations or outcomes, bias mitigation, and appropriate uses of the AI application's results. Agencies should also be mindful that, for AI applications to produce predictable, reliable, and optimized outcomes, data used to train the AI system must be of sufficient quality for the intended use.

**Risk Management:** 4. Risk Assessment and Management -- Regulatory and non-regulatory approaches to AI should be based on a consistent application of risk assessment and risk management across various agencies and various technologies. It is not necessary to mitigate every foreseeable risk; in fact, a foundational principle of regulatory policy is that all activities involve tradeoffs. Instead, a risk-based approach should be used to determine which risks are acceptable and which risks present the possibility of unacceptable harm, or harm that has expected costs greater than expected benefits. Agencies should be transparent about their evaluations of risk and re-evaluate their assumptions and conclusions at appropriate intervals so as to foster accountability. Correspondingly, the magnitude and nature of the consequences should an AI tool fail, or for that matter succeed, can help inform the level and type of regulatory effort that is appropriate to identify and mitigate risks. Specifically, agencies should follow the direction in Executive Order 12866, "Regulatory Planning and Review,"<sup>4</sup> to consider the degree and nature of the risks posed by various activities within their jurisdiction. Such an approach will, where appropriate, avoid hazard-based and unnecessarily precautionary approaches to regulation that could unjustifiably inhibit innovation.<sup>5</sup>

**Benefit/Cost Analysis:** 5. Benefits and Costs -- When developing regulatory and non-regulatory approaches, agencies will often consider the application and deployment of AI into already-regulated industries. Presumably, such significant investments would not occur unless they offered significant economic potential. As in all technological transitions of this nature, the introduction of AI may also create unique challenges. For example, while the broader legal environment already applies to AI applications, the application of existing law to questions of responsibility and liability for decisions made by AI could be unclear in some instances, leading to the need for agencies, consistent with their authorities, to evaluate the benefits, costs, and distributional effects associated with any identified or expected method for accountability. Executive Order 12866 calls on agencies to "select those approaches that maximize net

benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity).”<sup>6</sup> Agencies should, when consistent with law, carefully consider the full societal costs, benefits, and distributional effects before considering regulations related to the development and deployment of AI applications. Such consideration will include the potential benefits and costs of employing AI, when compared to the systems AI has been designed to complement or replace, whether implementing AI will change the type of errors created by the system, as well as comparison to the degree of risk tolerated in other existing ones. Agencies should also consider critical dependencies when evaluating AI costs and benefits, as technological factors (such as data quality) and changes in human processes associated with AI implementation may alter the nature and magnitude of the risks and benefits. In cases where a comparison to a current system or process is not available, evaluation of risks and costs of not implementing the system should be evaluated as well.

**Flexibility:** 6. Flexibility -- When developing regulatory and non-regulatory approaches, agencies should pursue performance-based and flexible approaches that can adapt to rapid changes and updates to AI applications. Rigid, design-based regulations that attempt to prescribe the technical specifications of AI applications will in most cases be impractical and ineffective, given the anticipated pace with which AI will evolve and the resulting need for agencies to react to new information and evidence. Targeted agency conformity assessment schemes, to protect health and safety, privacy, and other values, will be essential to a successful, and flexible, performancebased approach. To advance American innovation, agencies should keep in mind international uses of AI, ensuring that American companies are not disadvantaged by the United States’ regulatory regime.

**Fairness:** 7. Fairness and Non-Discrimination -- Agencies should consider in a transparent manner the impacts that AI applications may have on discrimination. AI applications have the potential of reducing present-day discrimination caused by human subjectivity. At the same time, applications can, in some instances, introduce real-world bias that produces discriminatory outcomes or decisions that undermine public trust and confidence in AI. When considering regulations or non-regulatory approaches related to AI applications, agencies should consider, in accordance with law, issues of fairness and non-discrimination with respect to outcomes and decisions produced by the AI application at issue, as well as whether the AI application at issue may reduce levels of unlawful, unfair, or otherwise unintended discrimination as compared to existing processes.

**Transparency:** 8. Disclosure and Transparency -- In addition to improving the rulemaking process, transparency and disclosure can increase public trust and confidence in AI applications. At times, such disclosures may include identifying when AI is in use, for instance, if appropriate for addressing questions about how the application impacts human end users. Agencies should be aware that some applications of AI could increase human autonomy. Agencies should carefully consider the sufficiency of existing or evolving legal, policy, and regulatory environments before contemplating additional measures for disclosure and transparency. What constitutes appropriate disclosure and transparency is context-specific, depending on assessments of potential harms, the magnitude of those harms, the technical state of the art, and the potential benefits of the AI application.

**Safety:** 9. Safety and Security -- Agencies should promote the development of AI systems that are safe, secure, and operate as intended, and encourage the consideration of safety and security issues throughout the AI design, development, deployment, and operation process. Agencies should pay particular attention to the controls in place to ensure the confidentiality, integrity, and availability of the information processed, stored, and transmitted by AI systems. Agencies should give additional consideration to methods for guaranteeing systemic resilience, and for preventing bad actors from exploiting AI system weaknesses, including cybersecurity risks posed by AI operation, and adversarial use of AI against a regulated entity’s AI technology. When evaluating or introducing AI policies, agencies should be mindful of any potential safety and security risks, as well as the risk of possible malicious deployment and use of AI applications.

**Coordination:** 10. Interagency Coordination -- A coherent and whole-of-government approach to AI oversight requires interagency coordination. Agencies should coordinate with each other to share experiences and to ensure consistency and predictability of AI-related policies that advance American innovation and growth in AI, while appropriately protecting privacy, civil liberties, and American values and allowing for sector- and application-specific approaches when appropriate. When OMB’s Office of Information and Regulatory Affairs (OIRA) designates AI-related draft regulatory action as “significant” for purposes of interagency review under Executive Order 12866,

OIRA will ensure that all agencies potentially affected by or interested in a particular action will have an opportunity to provide input.

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## 1. Non-Regulatory Approaches

*Determine whether existing regulations are sufficient or that the benefits of new regulations do not justify their costs.*

Non-Regulatory Approaches to AI -- An agency may determine, after considering a particular AI application, that either existing regulations are sufficient or that the benefits of a new regulation do not justify its costs, at that time or in the foreseeable future. In these cases, the agency may consider either not taking any action or, instead, identifying non-regulatory approaches that may be appropriate to address the risk posed by certain AI applications. Examples of such non-regulatory approaches include:

### 1.1. Sector-Specific Policy

*Consider using existing statutory authority to issue non-regulatory policy statements, guidance, or testing and deployment frameworks.*

Sector-Specific Policy Guidance or Frameworks. Agencies should consider using any existing statutory authority to issue non-regulatory policy statements, guidance, or testing and deployment frameworks, as a means of encouraging AI innovation in that sector. Agencies should provide clarity where a lack of regulatory clarity may impede innovation. This may also include work done in collaboration with industry, such as development of playbooks and voluntary incentive frameworks.

### 1.2. Experiments & Pilots

*Consider using existing authorities to grant waivers and exemptions from regulations, or to allow pilot programs that provide safe harbors for specific AI applications.*

Pilot Programs and Experiments. Agencies should consider using any authority under existing law or regulation to grant waivers and exemptions from regulations, or to allow pilot programs that provide safe harbors for specific AI applications. Such programs may also include events such as hackathons, tech sprints, challenges, and other types of piloting programs. As part of such programs, agencies may collect data on the design, development, deployment, operation, or outcomes of AI applications to improve their understanding of the benefits and risks, which could produce useful data to inform future rulemaking and non-regulatory approaches. If this information is of significant public interest, agencies should consider periodically informing the general public about emerging trends to help coordinate research efforts, new or emerging changes that will affect particular stakeholders (e.g., consumers), and transparency about how specific AI applications generate net benefits and, if relevant, distributional effects.

### 1.3. Standards

*Give preference to voluntary consensus standards.*

Voluntary Consensus Standards. The private sector and other stakeholders may develop voluntary consensus standards that concern AI applications, which provide nonregulatory approaches to manage risks associated with AI applications that are potentially more adaptable to the demands of a rapidly evolving technology. Agencies should give a preference to voluntary consensus standards but may also avail themselves of independent standards-setting organizations and consider the robustness of their standards when evaluating the need for or developing related regulations. In addition, agencies should consider relying on private-sector conformity assessment programs and activities, before proposing either regulations or compliance programs.

## 2. Barriers

### *Reduce barriers to the deployment and use of AI.*

Reducing Barriers to the Deployment and Use of AI -- As discussed above, Executive Order 13859 requires OMB to issue a memorandum to agencies that shall “consider ways to reduce barriers to the use of AI technologies in order to promote their innovative application while protecting civil liberties, privacy, American values, and United States economic and national security.” Below are four non-exhaustive examples of actions agencies can take, outside the rulemaking process, to create an environment that facilitates the use and acceptance of AI.

#### 2.1. Access

*Collect and create information in ways that support public transparency as well as dissemination and processing by third parties.*

Access to Federal Data and Models for AI R&D — Access to data (and metadata) can facilitate the innovative design, development, deployment, and operation of specific AI applications.

##### **Stakeholder(s):**

Federal Agencies :

*Executive Order 13859 calls on agencies to increase public access to government data and models where appropriate. Increasing such access to government data must be done in a manner consistent with the Open, Public, Electronic, and, Necessary Government Data Act;<sup>8</sup> OMB Circular No. A-130 “Managing Information as a Strategic Resource;”<sup>9</sup> and OMB Memorandum M-13-13, “Open Data Policy Managing Information as an Asset,”<sup>10</sup> which require agencies to collect and create information in a way that supports public transparency as well as downstream, secondary information dissemination and processing by third parties, thereby making government information accessible, discoverable, and usable... Agencies may also review their existing*

*disclosure protocols to determine if it is appropriate to make more data public, as well as provide more granular data, rather than aggregate data. In increasing data access, agencies should not lose sight of the legal and policy requirements regarding the protection of sensitive information and vital public interests, such as privacy, security, and national economic competitiveness.<sup>11</sup>*

**OMB :**

*Agencies should also follow forthcoming OMB guidance to agencies, pursuant to section 5 of Executive Order 13859, regarding discovery and usability of Federal data and models for non-Federal use.*

#### 2.2. Communication

*Communicate with the public about the benefits and risks of AI.*

Communication to the Public — The process by which agencies develop and implement regulatory and non-regulatory approaches to AI applications will have a significant impact on public perceptions of AI.

##### **Stakeholder(s):**

Federal Agencies :

*Consistent with the principles described in this Memorandum, agencies should communicate with the public about the benefits and risks of AI in a manner that gives the public appropriate trust and understanding of AI. An important opportunity to do this is when publishing requests for information (RFIs) in the Federal Register that are related to AI. RFIs and similar notices can help ensure that public perceptions of AI are informed by agency risk assessments that are context-specific and based on sound scientific evidence. Agencies should communicate this information transparently by describing the underlying*

*ing assumptions and uncertainties regarding expected outcomes, both positive and negative... Agencies are also encouraged to promote widespread availability of guidance documents that may be created.<sup>13</sup>*

**OSTP :**

*For more specific guidance, agencies should consult OSTP’s 2010 memorandum on scientific integrity when considering regulatory and nonregulatory approaches to AI.<sup>12</sup>*

### 2.3. Standards

*Participate in the development and use of voluntary consensus standards.*

Agency Participation in the Development and Use of Voluntary Consensus Standards and Conformity Assessment Activities — Executive Order 13859 calls for Federal engagement in the development of technical standards and related tools in support of reliable, robust, and trustworthy systems that use AI technologies. To promote innovation, use, and adoption of AI applications, standards could address many technical aspects, such as AI performance, measurement, safety, security, privacy, interoperability, robustness, trustworthiness, and governance. Moreover, Federal engagement with the private sector on the development of voluntary consensus standards will help agencies develop expertise in AI and identify practical standards for use in regulation.

#### Stakeholder(s):

National Institute of Standards and Technology :

*As directed by E.O. 13859, the National Institute of Standards and Technology (NIST) developed a plan for Federal engagement in AI standards. 14*

Federal Agencies :

*Agencies should use this plan to direct their involvement in AI standards development relevant to their authorities... Consistent with Section 12(d)(1) of the National Technology Transfer and Advancement Act of 1995, all Federal agencies must use voluntary consensus standards in place of government-unique standards in their procurement and regulatory activities, except where inconsistent with law or otherwise impractical.16 Agencies should also consider effective approaches to conformity assessment for AI*

*applications. Conformity assessment procedures provide a means of enhancing the confidence that the products, services, systems, persons, or bodies have specifically required characteristics, and that these characteristics are consistent from product to product, service to service, system to system, and in similar scenarios. Agencies should rely on the guidance in NIST publications to understand conformity assessment concepts17 and to use conformity assessment in an effective and efficient manner that meets agency requirements.18*

Standard-Setting Organizations :

*When engaging with private sector standard-setting organizations, agencies should adhere to OMB Circular A-119, “Federal Participation in the Development and Use of Voluntary Consensus Standards and in Conformity Assessment Activities.”15*

### 2.4. International Cooperation

*Engage in the development of regulatory approaches through international regulatory cooperation.*

International Regulatory Cooperation — Executive Order 13609, “Promoting International Regulatory Cooperation,” calls on the Regulatory Working Group, which was established by Executive Order 12866, to consider “appropriate strategies for engaging in the development of regulatory approaches through international regulatory cooperation, particularly in emerging technology areas.”19 Accordingly, agencies should engage in dialogues to promote consistent regulatory approaches to AI that promote American AI innovation while protecting privacy, civil rights, civil liberties, and American values. Such discussions, including those with the general public, can provide valuable opportunities to share best practices, data, and lessons learned, and ensure that America remains at the forefront of AI development.

#### Stakeholder(s):

Regulatory Working Group