

## Using data to inform regulatory interventions

*Regulators seek to develop more proactive ways of approaching regulation so as to ensure effective, targeted and risk-based interventions. At the same time, a demand for being more risk-based also calls for a move away from prescriptive approaches towards more focused attention. This has given rise to an interest in using data in more innovative ways to inform regulatory approaches.*

One particular avenue is to use controlled experiments in terms of understanding how to use framing and language more generally to achieve incentivise particular behaviours. In some cases, this can be rather difficult - a profession might include a large number of practising individuals in a large number of organisations with multiple and different motivations. The professional regulator operates via licenses that authorise persons operating in organisations. These are framed in the context of standards and enforcement practices.

A number of data sources can be used to develop regulatory intervention practices. There are often annual licensing processes. One has information about the location, turnover and size of particular operations. One also has complaint information. Obtaining information from other parties is also offering the basis for advancing information - these can include ministerial departments, other regulators and private parties that might be noting certain trends and support regulatory investigations.

By being proactive in terms of obtaining data, it is possible to move from reporting on the basis of rule-heavy rulebooks and from relying in complaints. Using data means one can explore potential areas of 'unmet need': this might include vulnerable constituencies that are not engaging with regulated services. Another area in which regulatory interventions can be developed is to understand better innovation in the industry. There is a standard criticism that regulators are a barrier to innovation as regulated industries will only do something once it is 'permitted'. Data can also be used to inform the broader risk outlook of a regulator - it helps to highlight what the risks in the regulated sector might be, it also gives justification as to which areas deserve specific attention, especially when it comes to wrong-doing. Data also supports thematic reviews. Finding new information can lead to a range of responses, whether it is immediate enforcement action, a general policy change, the issuing of guidance, or sending out warnings.

A key challenge is the risk assessment of firms which could be based on predictive forecasting and complaints. However, such schemes are difficult, complaint data is shaped in ways that makes it very specific to an individual case, and taking action requires specific information.

Such measures offer potential improvements. However, the amount of information available to different regulators varies considerably. There are also contrasting experiences in terms of information exchange. Agreements usually emerge following issue-specific concerns and agendas. Information exchange takes place in areas of mutual interest, but it is not uncommon that organisations are concerned about the ways in which 'their' data will be used. There are issues about the purpose of the information that has been collected and what the quality of that data is. There therefore needs to be great sensitivity about the use of data - and an appreciation of the limits of such information. Data can therefore offer information to generate further attention regarding particular organisations or activities, but at present cannot be used to predict where issues are emerging or where failure is occurring. There are also questions about the appropriate resourcing of data-handling units within regulators and how they are connected to other parts of the organisation.