

## A Review of the Impact of Artificial Intelligence on the Future of Public Law

Prof. Dr. Mohammad Ekram YAWAR <sup>1</sup>, Prof. Dr. Erdal DURSUN <sup>2</sup>, Muaiyid Rasooli <sup>3</sup>, Abdul Jamil Sharify <sup>4</sup>, Said Abdullah Sadat <sup>5</sup>, SOROUSH RAHMANIBOUKANI <sup>6</sup>, Jamshid Rasooli <sup>7</sup>

<sup>1</sup>Dean of the Faculty of Law, International Science and Technology University, Warsaw, Poland.

<sup>2</sup>Rector, International Science and Technology University, Warsaw / Poland.

<sup>3</sup>PhD Candidate, School of Law, Xi'an Jiao tong University, China.

<sup>4</sup>Head of Department of Management Information Systems, International Science and Technology University, Warsaw, Poland.

<sup>5</sup>International Science and Technology University, Warsaw, Poland.

<sup>6</sup>Secretary General at International Science and Technology University.

<sup>7</sup>Bachelor's degree, Faculty of Economics department of Banking and Finance, Jawzjan University.



### Article History

Received: 17.01.2026

Accepted: 05.02.2026

Published: 14.02.2026

Corresponding Author:  
Prof. Dr. Mohammad  
Ekram YAWAR

**Abstract:** Artificial intelligence (AI) possesses transformative capabilities across diverse domains, and this paper aims to explore and anticipate its implications for the broad field of public law. Public law has historically played a pivotal role in structuring sovereign authority and safeguarding collective rights. Over time, its foundations have continuously evolved in response to shifting legal frameworks and societal developments, adapting alongside the progress of governance itself.

The dynamic scope of public law encompasses labor, administrative, financial, energy, and environmental regulations, all of which have been subject to significant transformations. In this study, three branches of public law—administrative law, labor law, and financial law—are examined through the lens of two advanced AI language models, GPT-3 and Gemini, to assess the potential impact of AI on their future trajectories.

The findings indicate that emerging challenges will primarily concern liability frameworks, risks of discrimination and inequity, the pursuit of justice, as well as data privacy and cybersecurity protections. These challenges underscore the pressing need for comprehensive legal adaptation to ensure that AI technologies are integrated responsibly into governance structures.

It must be emphasized that this article offers only a preliminary investigation. A deeper, systematic analysis remains essential for a full understanding of the profound implications of AI for public law.

**Keywords:** Public Law; Artificial Intelligence; Administrative Law; Financial Law; Labor Law.

### Cite this Article

Dr. M. E. Yawar, E. Dursun, M. Rasooli, A. J. Sharify, S. A. Sadat, S. Rahmaniboukani, J. Rasooli, (2026) A Review of the Impact of Artificial Intelligence on the Future of Public Law. *GRS Journal of Multidisciplinary Research and Studies*, Vol-3(Iss-2). 01-07

## Introduction

The contemporary era is characterized by profound transformations in human lifestyles, largely driven by technological innovation. Among these, the emergence of artificial intelligence (AI) represents one of the most significant developments, reshaping not only daily life but also professional, social, and institutional structures. The availability of AI-based tools—particularly conversational AI systems—has introduced a new form of intelligent assistance that integrates into human activity and decision-making. These advances have already begun to alter occupational landscapes, eliminating certain professions, redefining others into more technical or operational roles, and generating entirely new career paths.

The legal field has not been immune to these disruptions. In private law, AI tools increasingly assist lawyers by facilitating case analysis, legal research, and procedural guidance. However, the implications for public law are far more complex. Unlike private

law, which is primarily concerned with individual rights and obligations, public law operates within the domain of governance, sovereignty, and the regulation of collective affairs. As such, the integration of AI into public law raises multifaceted challenges that extend beyond individual assistance and touch upon the very foundations of governance and legal order.

Historically, governments have struggled to adapt regulatory frameworks to the pace of technological change. Yet, the rapid diffusion of AI technologies now compels governance structures to respond decisively. Public law must not only address the legal consequences of AI in areas such as administrative, labor, and financial regulation but also establish robust mechanisms for guiding and controlling its societal impact. Importantly, changes in public law often reverberate into private law; for instance, new administrative or fiscal regulations can alter decision-making processes in civil matters, even where the substantive principles of civil law remain intact.

Artificial intelligence thus presents both a challenge and an opportunity for public law. While the legal order cannot halt societal transformations brought by AI, it can—and must—channel these changes through coherent legislation and regulatory oversight. AI's impact on governance includes reshaping taxation regimes, influencing employment law, redefining administrative accountability, and raising pressing issues of privacy, justice, and liability.

This article undertakes a preliminary examination of these dynamics by analyzing the potential effects of AI on the principal branches of public law. To do so, it employs two advanced AI language models—Grok 3, developed by xAI (founded by Elon Musk), and Gemini, developed by Google DeepMind—as heuristic tools to explore possible scenarios and challenges. By leveraging these models, the study seeks to provide insights into how AI may influence the future trajectory of administrative law, labor law, and financial law, and what regulatory responses might be necessary to safeguard justice, accountability, and democratic governance.

## Areas of Study in Public Law

Public law, as the body of legal studies concerned with governance and the organization of sovereign authority, can be divided into several core areas. These include: the analysis of public finance and the provision of appropriate legal frameworks to address national administrative and fiscal challenges; the codification and regulation of labor, administrative, energy, and environmental law; and the delineation of legal structures governing the activity and performance of the state in relation to territorial management, public affairs, and international relations. Additionally, applied studies within public law address a wide range of issues concerning state authority and its interaction with society.

A crucial starting point in understanding public law lies in deepening its theoretical foundations. Throughout history, the field has undergone transformative changes shaped by state disputes, the division of sovereign power, and the emergence of new legal frameworks in response to technological progress and the evolution of state property laws. Public law's historical trajectory reveals that its development has consistently been intertwined with shifts in political authority and governance structures.

One significant turning point in the history of public law was the formation of the first Islamic state in Medina, following the Prophet Muhammad's migration and the signing of the Medina Pact. This event marked the establishment of a centralized governance system based on divine decrees and Islamic managerial principles. By grounding governance in divine legislation, this structure institutionalized both public authority and the rights of individuals, laying an enduring foundation for Islamic public law.

Similarly, in Western thought, profound changes in public law have been shaped by monarchic governance, judicial development, and the gradual separation of executive and judicial powers. For example, the consolidation of English common law under the monarchy replaced fragmented local and feudal laws, while the judiciary initially functioned as an extension of royal administrative authority. Only gradually—particularly by the 18th and 19th centuries—did the judiciary become an independent institution, eventually consolidating its separation from executive control in the 21st century. For much of this history, judicial officers not only administered justice but also exercised significant administrative powers, reflecting the intimate relationship between law and governance.

These historical trajectories highlight how legal systems, whether Islamic or Western, have continuously adapted to political, social, and technological transformations. Such adaptations extend beyond domestic law to international rules and arbitration, reflecting the global dimensions of legal change.

Today, the most pressing question is how artificial intelligence (AI) will influence the future of public law. With its capacity to reorganize legal processes and decision-making structures, AI has the potential to reshape administrative, labor, and financial law in unprecedented ways. This study therefore employs advanced AI language models—Grok 3 and Gemini—to explore possible reforms and challenges in these three key branches of public law.

## Administrative Law and Artificial Intelligence

The integration of artificial intelligence into administrative structures is poised to bring profound changes to the mechanisms of governance. These changes can be broadly categorized into three dimensions: transformations in administrative processes, emerging legal challenges, and the adaptation of regulatory frameworks.

### 1. Transformations in Administrative Processes

AI technologies are reshaping the operational foundations of administrative law by introducing automation and efficiency into bureaucratic structures. Routine tasks such as document management, the processing of citizen requests, and the provision of standardized information can now be executed by automated systems with unprecedented speed and accuracy. This shift not only reduces administrative burdens but also minimizes human error.

In addition, AI enables data-driven decision-making by allowing public institutions to analyze vast datasets, identify patterns, and predict outcomes with a level of precision unattainable through traditional methods. Such insights can enhance the quality of policy design and administrative oversight. Furthermore, the delivery of public services has been revolutionized by AI-powered tools such as chatbots and digital assistants, which provide citizens with real-time access to information and government services, thereby increasing accessibility, transparency, and efficiency.

### 2. Emerging Legal Challenges

The integration of AI into administrative decision-making raises complex legal and ethical dilemmas. Foremost among these is the issue of liability: when automated systems produce errors or biased outcomes, it remains unclear whether accountability lies with the programmer, the administrator, or the state itself. Closely connected to this is the challenge of privacy and data protection, as the use of AI in governance often involves the collection and processing of sensitive personal information. Ensuring that such data is managed securely and ethically is essential to maintaining public trust.

Another critical concern is fairness and transparency. AI algorithms, if improperly designed or insufficiently monitored, may perpetuate or exacerbate systemic biases, leading to discriminatory or unjust outcomes. To preserve the principles of administrative justice, governments must guarantee that AI systems are deployed in a manner consistent with due process, equality, and the rule of law.

### 3. Adaptation of Legal Regulations

In response to these challenges, governments worldwide are drafting new regulatory frameworks to govern the use of AI in the public sector. Such laws aim to ensure that the deployment of AI systems adheres to principles of responsibility, transparency, and ethical governance. In addition, the introduction of AI into legal practice is likely to bring about changes in judicial and administrative procedures. For instance, AI tools may assist judges and administrative officers by analyzing case law, evaluating evidence, and offering recommendations, thereby accelerating proceedings and reducing procedural inefficiencies.

In summary, AI is not merely a technological innovation but a transformative force within administrative law. While it promises greater efficiency and improved public service delivery, it simultaneously introduces legal uncertainties and ethical challenges. States must therefore balance innovation with caution, crafting comprehensive regulations that safeguard individual rights while enabling the responsible integration of AI into governance.

## Questioning the Language Model: GRAK 3

Artificial Intelligence (AI), as an emerging technology, has profound implications for administrative law. Its integration into governance structures both enhances the efficiency of administrative processes and generates unprecedented legal and supervisory challenges. The following discussion highlights the principal dimensions of these impacts.

### 1. Efficiency and Automation of Administrative Processes.

AI enables the automation of repetitive and resource-intensive tasks within government agencies, including the processing of citizen requests, the issuance of permits, and the analysis of large-scale datasets. Such automation reduces costs, accelerates decision-making, and improves accuracy.

For example, intelligent decision-making systems can evaluate applications for construction permits or subsidies by applying predefined legal criteria, while advanced data-analytics tools can support evidence-based policymaking in domains such as public resource management and urban planning.

However, this growing reliance on automation requires new regulatory frameworks to define the permissible scope of AI applications, establish monitoring mechanisms, and assign accountability for decisions produced by automated systems.

### 2. Redefining Administrative Responsibility.

Traditional administrative law attributes responsibility for decisions to human officials. The use of AI disrupts this principle by introducing the possibility of machine-generated errors or violations of citizens' rights. The central legal question becomes: *who bears liability—the programmer, the deploying institution, or the system itself?*

This dilemma necessitates a reconsideration of administrative law statutes, particularly in areas of:

- **Civil and criminal liability:** Determining whether AI errors (e.g., miscalculations in tax assessments or wrongful denial of services) should be treated as human mistakes or require the establishment of a novel compensation mechanism.
- **Transparency of algorithms:** Mandating that AI systems be auditable and understandable, thereby enabling citizens to contest decisions effectively.

### 3. Impact on Core Administrative Law Principles.

AI challenges several fundamental principles of administrative law:

- **Legality:** All AI applications must operate within the framework of existing laws. Nonetheless, the rapid expansion of AI necessitates the drafting of new, targeted legislation (e.g., the European Union's forthcoming *AI Act*).
- **Transparency:** Automated decisions often remain opaque to citizens. Regulations must ensure that AI systems provide explainable outputs accessible to both administrators and the public.
- **Right to object:** Citizens should retain the ability to appeal AI-generated decisions before supervisory authorities (such as administrative courts), which implies the need for updated procedural safeguards.

### 4. Privacy and Data Security Challenges.

The operation of AI systems depends on access to vast quantities of personal data, raising significant concerns in administrative law. Key issues include:

- **Data protection:** Ensuring that the collection, storage, and processing of citizens' data complies with robust privacy safeguards.
- **Cybersecurity:** Preventing vulnerabilities caused by government reliance on AI, which may expose agencies to cyberattacks and systemic risks.

### 5. New Supervision and Regulatory Mechanisms.

The deployment of AI requires oversight institutions equipped with both legal and technical expertise. Possible mechanisms include:

- **Specialized supervisory boards** to evaluate the performance, legality, and ethical compliance of AI systems in government.
- **Standardization measures** that establish uniform technical and ethical guidelines for AI development and deployment.

### 6. Implications for Administrative Justice.

AI has the potential to enhance fairness in public administration by minimizing human bias. However, poorly designed algorithms may generate new forms of discrimination. Thus, legal frameworks must ensure that AI systems operate without bias and in accordance with principles of equality and justice.

A global example can be found in the European Union, where the proposed *AI Act* adopts a risk-based approach: high-risk AI applications, including those used in government administration, will be subject to heightened scrutiny, transparency requirements, and strict compliance mechanisms.

## Questioning the Language Model: GRAK 3

### Artificial Intelligence and Labor Law

Artificial Intelligence (AI) is reshaping the world of work, with profound implications for labor law. As AI systems increasingly perform tasks once handled by humans, they affect not only the nature of work but also the structure of employment relationships and the responsibilities of employers and regulators. Labor law—

traditionally focused on regulating working conditions, rights, and obligations—must now adapt to a rapidly evolving technological landscape.

This section explores the key areas where AI impacts labor law.

### 1. *Transforming the Nature of Work and Employment Relationships.*

#### Automation and Job Displacement

AI is capable of automating a wide range of repetitive and routine tasks, from assembly line operations to administrative data processing. This automation can lead to job displacement or fundamental changes in job roles. As a result, labor law must address new challenges in areas such as:

- **Job security:** Creating legal mechanisms to protect workers affected by automation.
- **Unemployment insurance:** Expanding eligibility and benefits to include technologically displaced workers.
- **Skills training:** Mandating or incentivizing employers to provide retraining and upskilling programs.

#### Gig Economy and Online Work Platforms

AI plays a central role in digital labor platforms, such as ride-hailing or freelance marketplaces. These platforms often rely on AI to set wages, assign tasks, and evaluate performance. However, such arrangements blur the traditional definitions of “employer” and “employee,” creating legal uncertainty. Key issues include:

- **Employment status:** Determining whether platform workers qualify as employees or independent contractors.
- **Rights and benefits:** Ensuring gig workers have access to minimum wage protections, social security, and leave entitlements.
- **Collective bargaining:** Allowing gig workers to organize and negotiate collectively.

#### Performance Monitoring and Evaluation

AI tools are increasingly used to monitor and evaluate employees, from tracking productivity to assessing performance metrics. While these technologies can improve efficiency, they raise significant concerns regarding:

- **Privacy:** Preventing intrusive surveillance practices that violate workers’ dignity.
- **Consent:** Ensuring that employees are informed and agree to data collection.
- **Fairness:** Avoiding biased evaluations or unjust disciplinary actions based on flawed algorithms.

### 2. *Legal Challenges of AI in the Workplace*

#### Liability for AI Decisions

When AI systems make mistakes—such as incorrect hiring decisions or unjust terminations—it becomes difficult to assign responsibility. Traditional liability frameworks may be inadequate. New regulations must clarify:

- **Employer liability:** Holding employers accountable for AI tools they deploy.
- **Vendor liability:** Establishing responsibility for software developers and AI providers.

- **Joint liability:** Defining shared responsibility among multiple parties.

#### Discrimination and Algorithmic Bias

AI algorithms may inadvertently reproduce or amplify existing biases, leading to discrimination in hiring, promotions, or compensation. To prevent such outcomes, labor law must require:

- **Transparency:** Mandating disclosure of algorithmic decision-making processes.
- **Audits:** Requiring regular reviews to detect and correct biased outcomes.
- **Fairness standards:** Establishing legal norms for equitable treatment.

#### Privacy and Data Security

The use of AI in human resource management entails collecting and analyzing large volumes of personal data. Protecting this data is crucial. Labor law must ensure:

- **Data minimization:** Limiting the amount of personal information collected.
- **Secure storage:** Implementing robust cybersecurity measures.
- **Access control:** Restricting who can view and use employee data.

### 3. *Adapting Legal Frameworks to the AI Era*

#### New Legislative Initiatives

Governments worldwide are enacting or revising labor laws to regulate AI use in the workplace. These laws aim to:

- Promote responsible AI use.
- Safeguard workers’ rights.
- Foster safe and equitable work environments.

#### Evolution of Judicial Procedures

AI may also influence judicial processes in labor disputes by:

- **Assisting in evidence collection.**
- **Predicting litigation outcomes.**
- **Supporting judicial decision-making.**

These developments raise questions about the transparency, accountability, and legitimacy of AI-assisted adjudication.

## Conclusion

AI is transforming the world of work in ways that challenge existing labor law frameworks. Governments, employers, and workers must collaborate to craft new legal standards that harness the benefits of AI while protecting workers’ rights. A balanced approach will ensure that the workplace of the future is both technologically advanced and socially just.

### 2. *Legal Challenges*

The integration of AI into the workplace raises several pressing legal challenges that existing labor laws are not fully equipped to address.

#### Liability

When AI systems make errors—such as wrongful hiring rejections, unfair dismissals, or biased evaluations—it becomes unclear who

should be held accountable. Traditional legal frameworks are inadequate because AI operates autonomously, often without clear human oversight. Therefore, new regulations must establish:

- **Employer liability**, ensuring that organizations deploying AI remain responsible for its consequences.
- **Developer or vendor liability**, addressing accountability for flawed or biased AI systems.
- **Shared liability models**, where responsibility is distributed among all parties involved in deploying and managing AI.

#### Discrimination and Fairness

AI algorithms, if trained on biased data, may replicate or even amplify discrimination in hiring, promotions, pay, or disciplinary actions. This creates risks of systemic inequality in the workplace. Labor law must therefore require:

- **Transparency in AI decision-making**, so employees understand how algorithms affect them.
- **Bias detection and auditing mechanisms**, ensuring systems are regularly tested for fairness.
- **Legal safeguards**, protecting workers against algorithmic discrimination and ensuring equal treatment.

#### Privacy and Data Security

AI-driven monitoring tools often rely on large-scale collection of employee data, from performance metrics to personal information. This raises concerns over both **privacy rights** and **data security**. Regulations must address:

- **Data minimization**, restricting collection to information strictly necessary for work purposes.
- **Robust cybersecurity standards**, to prevent unauthorized access or misuse.
- **Clear consent and transparency requirements**, ensuring employees are aware of how their data is being used.

### 3. Changing Legal Regulations

Governments around the world are beginning to recognize the transformative effects of AI on labor markets and judicial systems, prompting significant changes in regulatory frameworks.

#### New Laws

Many jurisdictions are drafting or enacting legislation specifically aimed at governing the role of AI in employment. These initiatives seek to:

- Promote the **responsible and ethical use** of AI in the workplace.
- Safeguard **fundamental workers' rights**, including job security, non-discrimination, and fair treatment.
- Foster **safe and equitable work environments** in the digital era.

#### Judicial Procedure

AI also has the potential to reshape judicial processes related to labor law. Possible applications include:

- **Evidence collection and analysis**, using AI to organize and evaluate workplace data.

- **Predictive modeling**, assisting in estimating litigation outcomes.
- **Decision-support systems**, providing judges with recommendations.

While these tools may increase efficiency, they raise questions about judicial independence, transparency, and accountability, and therefore require careful legal regulation.

## Conclusion

AI poses both opportunities and challenges for labor law. On one hand, it can improve efficiency and create new forms of work; on the other, it raises issues of liability, discrimination, privacy, and fairness. Governments, employers, and workers must work together to establish **robust regulatory frameworks** that ensure the use of AI in the workplace is **ethical, transparent, and fair**. Only through such cooperation can the benefits of AI be realized while safeguarding workers' rights.

Labor Law

### Question from the Language Model: Grac 3

Artificial intelligence (AI) has significant implications for new labor law and regulations, as this technology not only changes the way work is performed but also influences the relationships between workers, employers, and the state. Labor law, which governs labor relations, the rights and obligations of workers and employers, and working conditions, faces new challenges and opportunities with the advent of AI.

Below, these effects are examined comprehensively:

#### 1. Changing the Nature of Jobs and Work Contracts

Artificial intelligence has transformed the structure of the labor market by automating repetitive tasks (such as production line work or data processing) and creating new jobs (such as AI developers or data analysts). These changes require a review of labor law regulations:

- **New Contracts:** The emergence of the gig economy and AI-based platforms (such as ride-hailing or freelancing apps) has blurred the traditional definitions of "worker" and "employer." Regulations should clarify whether these individuals are considered workers and entitled to labor rights, such as insurance or leave.
- **Remote Work:** AI has facilitated remote work through intelligent management systems. Regulations should govern working hours, employee monitoring, and provision of necessary equipment.

#### 2. Impact on Working Conditions

Artificial intelligence can improve working conditions but may also create new challenges:

- **Safety and Health:** AI can enhance workplace safety by monitoring the environment (e.g., identifying hazards in factories). However, its misuse—such as imposing excessive productivity pressure—may lead to worker burnout. New regulations should define permissible limits for AI monitoring.
- **Working Hours:** Intelligent systems may create expectations of 24/7 availability. Regulations should update time limits and safeguard the right to rest.

#### 3. Monitoring and Worker Privacy

The use of AI to monitor worker performance (e.g., via tracking tools or behavioral analysis) is increasing:

- **Privacy:** Employers may monitor emails, calls, or employee movements. Labor law should define the scope of surveillance and protect workers' personal data.
- **Transparency:** Workers have the right to know how and why they are being monitored. Regulations should ensure transparency in AI monitoring practices.

#### 4. Impact on Hiring and Firing

Artificial intelligence also affects recruitment and human resource management:

- **Recruitment:** AI algorithms are used to screen resumes or conduct interviews, but they may inadvertently create discrimination (e.g., based on gender or race). Regulations should establish standards for algorithmic fairness.
- **Dismissal:** Automated decisions to terminate employment (e.g., based on performance reviews) may violate workers' rights. Regulations should guarantee the right to object to such decisions.

#### 5. Impact on Fundamental Workers' Rights

AI may affect core labor rights, including wages, insurance, and the right to organize:

- **Fair Wages:** If AI increases productivity while benefits accrue solely to the employer, regulations should ensure equitable distribution of gains.
- **Insurance and Social Security:** Workers in AI-based jobs (such as online freelancers) may lack insurance coverage. New laws should address these gaps.
- **Freedom of Organization:** AI monitoring could hinder union activity. Regulations should protect workers' rights to organize and engage in collective bargaining.

#### 6. Liability and Accountability Challenges

When AI is involved in employment decisions (such as dismissals or compensation settings), assigning liability becomes unclear:

- **Employer Liability:** If an AI system makes a mistake (such as discrimination in hiring), it must be clarified whether the employer or the system developer is responsible. New regulations are required to address this issue.
- **Compensation:** Workers must have access to legal mechanisms to seek redress for unfair AI decisions.

#### 7. Training and Upskilling

As AI transforms jobs, workers will require retraining:

- **Right to Training:** Labor law should mandate that employers provide training opportunities to adapt to new technologies.
- **Government Role:** Governments should enhance public education programs through legislation to ensure workforce adaptability.

**Global Examples:** The European Union's GDPR and proposed AI Act regulate AI use in the workplace, emphasizing privacy, transparency, and fairness.

Financial Law

### Question of the Gemini Language Model

Artificial intelligence (AI) is rapidly transforming various aspects of our lives, and financial law is no exception. The impact of AI on new financial laws and regulations can be examined from several perspectives:

#### 1. Changes in Financial Processes

**Automation of Tasks**  
AI can automate many financial tasks, including data processing, risk assessment, and fraud detection. This automation increases the speed, accuracy, and overall efficiency of financial operations.

**Data-Driven Decision-Making**  
AI enables financial organizations to make better, data-driven decisions. By analyzing big data, AI can identify patterns and trends that assist financial managers in making informed decisions.

**Financial Service Delivery**  
AI can improve the delivery of financial services to customers. For example, chatbots can answer customer inquiries and provide financial services online, enhancing accessibility and efficiency.

#### 2. Legal Challenges

**Liability**  
A primary challenge in applying AI within financial law is determining liability when errors or incorrect decisions occur. Legal frameworks must clearly define accountability for AI-driven financial decisions.

**Privacy**  
The use of AI in financial institutions raises concerns about customer privacy. Governments must ensure that customer data is collected, stored, and used securely and responsibly.

#### Fairness and Transparency

AI algorithms can exhibit biases that result in unfair financial decisions. Regulations should ensure that AI systems are transparent, auditable, and applied fairly.

#### 3. Changing Legal Regulations

##### New Laws

Governments worldwide are drafting laws to regulate AI use in the financial sector. These laws aim to promote the responsible, ethical, and equitable application of AI in financial operations.

##### Changing Jurisdiction

AI may influence financial jurisdiction and decision-making processes. For instance, AI can assist in analyzing cases and making recommendations to judges, potentially affecting legal interpretations and rulings.

### Question from the Language Model: Grac 3

Artificial Intelligence (AI) has profound implications for new rules and regulations in financial law, as technology has transformed the way financial matters are managed, regulated, and supervised at both individual and state levels. Financial law, which governs financial relations between individuals, companies, and states, as well as the management of public financial resources, faces new opportunities and challenges with the advent of AI. The following analysis examines these impacts comprehensively:

#### 1. Improved Efficiency in Public Financial Management

Artificial intelligence can automate and optimize complex financial processes:

- **Budgeting:** By analyzing big data, AI provides more accurate forecasts of revenues and expenses, facilitating the formulation of more efficient government budgets.
- **Tax Collection:** Intelligent systems can detect tax evasion and expedite the tax collection process, for example, by analyzing transaction patterns.
- **Public Debt Management:** AI can assess government financial risks and suggest improved debt management strategies.
- **Financial Errors:** If AI makes mistakes in budget allocation or tax calculations, mechanisms must exist for citizens to seek compensation.
- **Legal Liability:** Regulations should clarify whether responsibility lies with the government, the AI developer, or the system operator.

### 7. Impact on Financial Justice

AI can increase fairness in access to financial services but also poses risks of discrimination:

- **Fair Access:** AI can extend financial services, such as loans, to underserved populations. However, biased algorithms may exclude certain groups.
- **Anti-Discrimination Regulations:** Legal frameworks should establish standards to ensure algorithmic fairness.

### 8. Impact on International Financial Law

With the globalization of finance, AI plays a growing role in international transactions:

- **Coordination of Laws:** Countries should develop common rules for AI use in international financial matters, including anti-money laundering measures.
- **Regulation of Digital Currencies:** AI is utilized in blockchain and digital currency analysis, necessitating new regulatory frameworks.

**Global Examples: The European Union's General Data Protection Regulation (GDPR) and the proposed AI Act** regulate AI use in financial matters, providing global standards for transparency, accountability, and privacy.

## References

1. *Introduction to the Public Law Trend*, Evidence Law Journal. Available at: <https://tinyurl.com/dhr4pxwc>.
2. Davari, Mohsen. *The Concept of Human Rights in Islamic Teachings*. Available at: <https://tinyurl.com/mr3fb6yh>.
3. *An Introduction to the Basics of Public Law*, Law and Jurisprudence Journal. Available at: <https://tinyurl.com/muzv9wjt>.
4. Zanjani, Abbas Ali & Mohammadi, Mohammad Ali. *Sources and Foundations of Public Law in Islam*. Available at: <https://tinyurl.com/49vmzh34>.
5. 3GROK AI Language Model (XAI).
6. GEMINI AI Language Model (Google).

These applications require new regulations to ensure that AI use in public finance is transparent, controlled, and legally compliant.

### 2. Impact on Transparency and Accountability

AI can enhance transparency in financial operations, but improper regulation may reduce accountability:

- **Transparency:** AI tools can monitor financial flows and provide real-time reports, helping to reduce corruption. Regulations should define requirements for the publication of these reports.
- **Responsibility:** When financial decisions (such as budget allocation) are made by AI, regulations should clearly define the responsibilities of government agencies and AI developers in case of errors.

### 3. Privacy and Data Security Challenges

The use of AI in financial law relies on sensitive data, such as tax information and transaction records:

- **Data Protection:** New regulations must govern how data is collected, stored, and used by AI systems to protect individuals' privacy.
- **Cybersecurity:** AI reliance increases vulnerability to cyberattacks, necessitating strict regulatory security standards.

### 4. Impact on Taxation and Financial Market Regulation

AI significantly affects taxation and financial markets:

- **Taxation:** AI can help make tax systems fairer by analyzing financial behavior and identifying illegal activities. New rules are required to prevent misuse or discrimination.
- **Financial Markets:** In the private sector, AI is used in algorithmic trading and risk management. Regulations should prevent market manipulation by algorithms and ensure transparency.

### 5. Changes in Financial Supervision

Financial supervisory bodies, such as central banks and audit institutions, are increasingly using AI:

- **Irregularity Detection:** AI can quickly identify unusual patterns, such as money laundering, which requires regulations to govern its legal use.
- **Automated Supervision:** AI systems can continuously monitor financial institutions, but regulations must prevent abuse of supervisory authority.

### 6. Liability and Redress Challenges

AI involvement in financial decision-making complicates liability issues: