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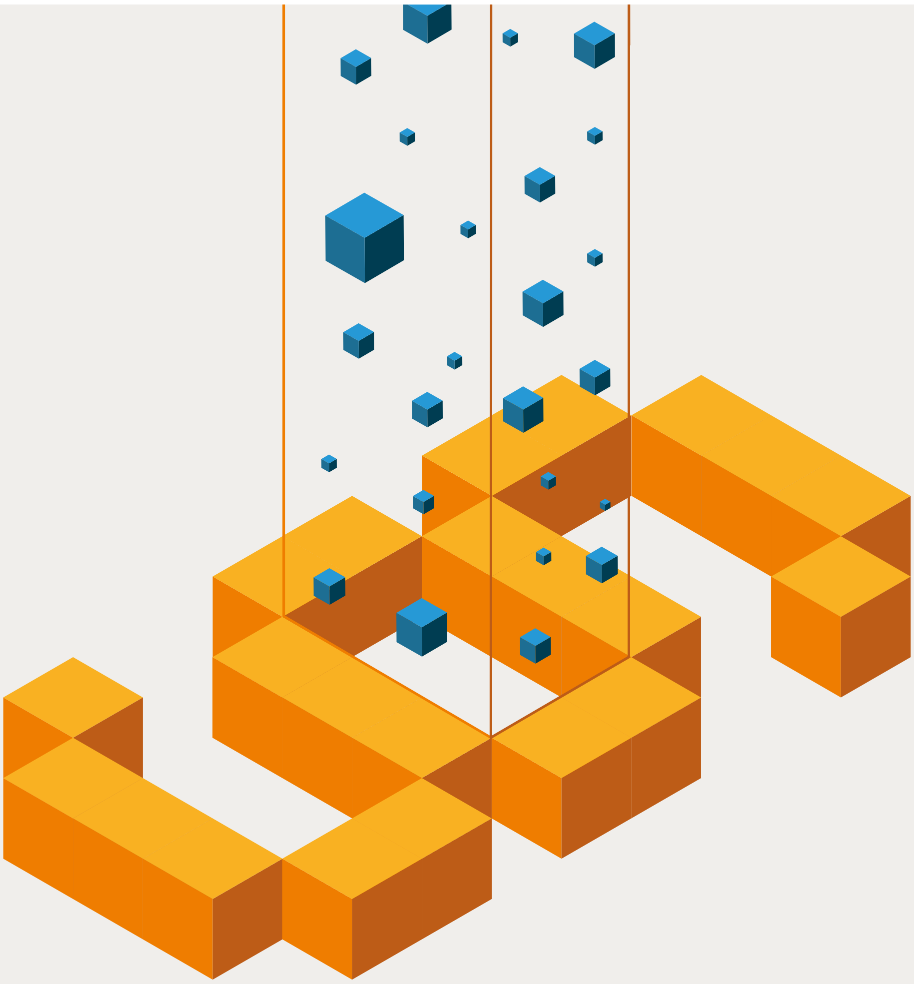
Final report (Non-technical summary)

Feasibility study on an AI-based application for identifying the simplification potential of regulations

A&O SHEARMAN Fraunhofer IAIS INSTITUT FÜR DAS RECHT DER DIGITALISIERUNG LEXEMO



analytical. quantitative. tech.

June 2025

Legal Notice

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Non-technical Summary

Reducing unneccessary bureaucratic burden is a central political objective in Germany and the European Union (EU) to foster growth and employment. The high density of rules at the EU, federal, and state levels often leads to overlaps, inconsistencies, or even contradictions, which raise administrative costs for businesses and undermine legal certainty. Against this backdrop, the Federal Ministry of Finance (Bundesministerium der Finanzen, BMF) commissioned this feasibility study on the development of an AI-based application that continuously identifies the simplification potential of both existing and new rules and supports efforts to steamline the regulatory framework.

The study demonstrates that such an AI-based application is feasible, provided that the necessary technical and organizational conditions are in place:

01. **Legal knowledge base:** An AI application needs a comprehensive, up-to-date, and quality-assured database of existing rules and their interpretations to provide reliable analyses. The large number and variety of corresponding data sources, along with access restrictions, make it challenging to achieve complete coverage. For the implementation, the study therefore recommends initially focusing on publicly available legal norms.

02. **Suitable methodological approach:** The study identifies key prerequisites for successfully using AI to detect and analyze potential simplifications in rules and outlines suitable methodological approaches. These prerequisites include the ability to analyze legal texts in a context-sensitive manner, to compare scopes of application and provisions in a way that is legally appropriate, and to provide traceable and verifiable justifications for the findings. The proposed methodological approaches combine several AI techniques. They involve automatically pre-selecting short text passages of legal norms, enriching them with context, comparing these passages using large language models, and supplementing the results with additional information for quality assurance.

03. **Reliable results:** By implementing suitable automated preparation and validation steps, the proposed approaches can achieve a high level of reliability. In addition, expert review of the AI results remains indispensable.

For the potential development of the AI application, the study recommends an iterative and modular approach - starting with the development of one or more prototypes for core functionalities and testing them in-house. For functionalities that affect the legislative process more broadly—beyond merely simplifying legal provisions—the study advises seeking synergies with existing national and European initiatives such as E-Gesetzgebung (E-Legislation) and Legislation Editing Open Software (LEOS).

In the long term, AI-based analysis has the potential both to make a substantial contribution to reducing bureaucracy and to lower the manual effort involved in drafting legislation.

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