




ADDRESSING FINANCIAL CRIME

Through Innovation in Financial Regulation



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FOREWORD

Financial crime is a pervasive and evolving challenge, affecting individuals, businesses, and entire economies. The costs are growing. Estimates state financial crime costs the global economy trillions of US dollars every year, but beyond the monetary cost's others include loss in consumer confidence, reputational loss, and a growing regulatory burden as all across the world work to find new ways of curbing financial crime, ultimately aiming to prevent the issue full stop.

Meaningful innovation will help address this growing issue. Delivered through purposeful collaboration research, and the application of cutting-edge fintech solutions, we can reshape the way financial crime is detected, helping in turn to prevent it, and to respond to threats.

The Financial Regulation Innovation Lab, (FRIL) has focused on innovation to address Financial Crime in a recent innovation programme. Importantly, FRIL is playing its part alongside the FCA, the Bank of England, the Bank of International Settlement Hubs and Global Regulators in exploring technology techniques, business innovation, consumer engagement and regulatory agility to help reduce the impact of financial crime for all.

Our focus in the Financial Regulation Innovation Lab (FRIL), was to accelerate technology driven solutions that can combat financial crime tactics. FRIL is designed to foster industry-wide engagement. For this particular challenge that involved bringing together fintech entrepreneurs, regulators, academia, and financial services, Telco and Big-Tech institutions.

The experimentation, new ideas that were tested against real-world challenges has been inspiring. We have seen incredible momentum, with over 15 fintech institutions working together with financial institutions to develop solutions that are aimed at preventing financial crime.

The financial crime challenges we face today demand bold thinking and proactive innovation. Through initiatives like FRIL and continued fintech adoption, we have the opportunity to create a safer, more resilient financial ecosystem. This strategic importance is highlighted throughout the FCA forward strategy and was further emphasised by the determined focus of the industry leaders involved across the program, all of whom committed to progressing solutions to protect the evolving digital economy and help consumers and businesses thrive against financial crime.

The findings and insights in this report will help guide new practices and inspire forward looking solutions, highlighting areas where fintech can drive real impact.

Let's continue this journey together — building partnerships, leveraging data, and ensuring that financial crime prevention remains one step ahead of the criminals.

Nicola Anderson
CEO, FinTech Scotland

Creating an ENVIRONMENT *for* INNOVATION *within*
FINANCIAL REGULATION *that accelerates*
FIGHTING FRAUD AND FINANCIAL CRIME.





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EXECUTIVE SUMMARY

Financial crime continues to evolve, but so does our ability to fight it.

Financial crime is an ever-evolving challenge, and the industry is increasingly stepping up to meet it. Across the financial services ecosystem, there is a growing sense of purpose and progress, with fintechs, regulators, financial institutions, and researchers working together to address it through innovation and collaboration.

This report focuses on specific elements of financial crime identified as priorities by participants in the Financial Regulation Innovation Lab (FRIL). While financial crime is a broad and complex area, the scope of this work reflects the real-world concerns and opportunities raised by those involved, particularly around fraud prevention, data sharing, compliance innovation, and enhanced controls.

The direction of travel is clear. A more collaborative, technology-enabled approach to financial crime prevention is taking shape, moving the industry from reactive defence to proactive protection. From AI-driven anomaly detection and regulatory technology to privacy-enhancing data sharing and inclusive fraud strategies, innovation is already delivering meaningful impact.

Regulatory efforts to explore innovative solutions for combating financial crime are accelerating, with both domestic and international authorities—such as the Bank for International Settlements Hubs—actively conducting exploratory work. In the UK, the FCA's 2025-2030 strategy aligns closely with the priorities outlined in this report, emphasising growth, innovation, and crime prevention. FinTech Scotland's industry partners are demonstrating a clear commitment to strengthening consumer protections, meeting evolving regulatory expectations, and ensuring that financial crime controls keep pace with increasingly sophisticated threats.

Through initiatives like FRIL, this collaboration is being brought to life. The programme is creating trusted environments for experimentation, shared learning, and the development of solutions that are grounded in real-world needs and scalable across the ecosystem. It is these kinds of inclusive, forward-looking partnerships that will help the industry stay ahead.

While the work continues, the momentum is undeniable. By investing in innovation, deepening collaboration, and aligning around shared priorities, we have the opportunity to build a financial system that is not only safer, but stronger.



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A CHANGING LANDSCAPE

The scale and complexity of financial crime is growing, fuelled by rapid technology change and increasingly sophisticated criminal networks. Despite significant investment, traditional detection and prevention approaches are struggling to keep up. Criminals move fast, exploiting weak points in global systems while financial services must navigate regulatory complexity, legacy infrastructure, and rising consumer expectations. To respond effectively, the industry must embrace innovation, collaboration, and smarter use of technology to stay ahead of evolving threats.

A Changing Regulatory Landscape

Innovation and collaboration must continue to enable smart approaches to addressing financial crime.



Governments and regulators are taking a more forward-looking approach to financial crime, focused on enabling innovation, improving outcomes, and supporting industry collaboration. In the United Kingdom, the Financial Conduct Authority has outlined a clear strategy that champions innovation, fosters growth, and strengthens the role of financial services institutions in preventing harm.

This evolving regulatory environment is shifting expectations from procedural compliance toward meaningful impact. Financial institutions are increasingly expected to demonstrate how their controls prevent financial crime in practice, not just how they meet formal requirements.

Across the sector, there is strong momentum behind this shift. Institutions are working closely with regulators, technology partners, and each other to build smarter, more adaptive approaches to compliance. Fintech solutions are helping to accelerate this change by making it easier to analyse data, share insights, and respond more quickly to emerging risks.

Progress in tackling financial crime and fraud goes beyond regulation; it is through a culture of continuous improvement, embracing both innovation and technology that organisations can truly excel. By leveraging these tools, we can go over and above compliance with regulations by looking forward and creating resilience in a changing landscape, delivering secure, efficient, and impactful solutions while staying within the lines of the law. This allows us to enhance our ability to remain ahead of these challenges and deliver good outcomes.

Paddy O’Keefe, Public Private Partnerships Lead, Virgin Money



Key Regulatory themes:

UK Financial Conduct Authority (FCA) Priorities

The FCA’s 2025-2030 5-year strategy places a strong emphasis on supporting innovation, enabling growth, and protecting consumers while reinforcing institutions’ roles as the first line of defence against financial crime. The regulator has made clear its commitment to helping institutions draw on new technologies that improve controls and reduce costs. This includes encouraging real-time data use, outcome-driven compliance, and collaborative approaches to complex challenges such as fraud and AML. The FCA’s Consumer Duty guidance also reinforces the need for institutions to consider fraud and financial crime risks as part of delivering good consumer outcomes, especially where these intersect with digital harm or vulnerability.

New UK Laws, Companies House Reforms & EU

Recent legislative changes are creating stronger foundations for tackling financial crime. The Economic Crime and Corporate Transparency Act 2023 is a key milestone, enhancing transparency and reducing opportunities for misuse of corporate structures. New identity verification requirements for company directors are designed to limit the use of shell companies for illicit activity. Companies House has also been given new powers to query, verify, and reject suspicious registrations, creating a more robust and accountable corporate registry. At the European level, the new Anti-Money Laundering Authority will provide direct oversight of high-risk financial services institutions, supporting a more consistent and coordinated approach to financial crime across borders.

Data Sharing and Smart Data Bill

Data sharing is a critical enabler in the fight against financial crime. The Smart Data Bill aims to strengthen the way financial data is accessed and used, helping institutions detect and prevent fraud more effectively. The bill promotes responsible and secure data sharing across the financial ecosystem, while maintaining full alignment with data protection regulations. Institutions are expected to follow the Information Commissioner’s Office guidance on ethical data use, ensuring a careful balance between privacy and protection. International cooperation remains vital. The Financial Action Task Force continues to highlight the importance of cross-border data sharing in preventing criminal activity and reinforcing global financial stability.

Shifting Consumer Expectations

Awareness alone does not prevent fraud, behaviour, emotional state, and life context all play a critical role in shaping vulnerability.



Consumers are becoming more aware of fraud, but it is not always front of mind. In moments of stress or urgency, people are more susceptible to manipulation. This is where timely support and thoughtful design can make a meaningful difference.

Regulators now expect institutions to play a more active role in protecting consumers. In response, institutions are embracing behavioural interventions that help people pause, reflect, and reassess. These include subtle design nudges, real-time alerts, and personalised messaging that empower safer choices.

There is no single solution that works for everyone. People engage with financial services in different ways, and their exposure to risk is shaped by behaviour, confidence, and lived experience. This makes it essential to build approaches that are informed by real data and rooted in empathy.

Fraud does not always begin within the financial ecosystem. Many scams originate through social media, messaging platforms, or telecoms. Tackling these risks requires deeper collaboration beyond financial services, including with technology and communications providers, to align efforts and share intelligence effectively.

According to a survey by the Vulnerable Registration Service, Vulnerable Customer Exclusion Report, where vulnerability exists, exploitation often follows. Criminals capitalise on the weaknesses of vulnerable customers through fraud schemes, misleading lending practices, coercive tactics or embroilment in money muling - using deceptive or coercive tactics at a time when their victims' defences are weakened. It is an unfair situation where the most vulnerable people end up suffering the most. And the repercussions of financial exploitation extend far beyond monetary loss, leading to a lack of trust in banks and severe emotional stress.

For many, financial crime is no longer just a distant risk. It is a lived experience. As a result, consumers increasingly expect institutions to take a proactive approach to prevention. This includes real-time transaction monitoring, early risk detection, and stronger protections against tactics such as impersonation, money mules, and social engineering.

Ultimately, addressing this challenge at scale means putting the consumer first and building a coordinated response across the ecosystem. Financial services, technology providers, and regulators all have a role to play in protecting people wherever they may be targeted.

Key considerations for institutions are:

Raising Awareness and Strengthening Digital Protections

Consumer awareness of financial crime is growing, driven by increasing media coverage and lived experience. Expectations are also rising. People now look to their financial services providers for real-time alerts, secure authentication, and seamless digital protections. To meet these needs, institutions must continue to invest in tools that are not only effective, but also accessible and inclusive for users with varying levels of digital confidence.

Delivering Security Without Compromising Experience

Consumers want to feel protected, but not at the expense of convenience. Strong security measures such as biometric verification and multi-factor authentication are now expected, yet they must be intuitive and unobtrusive. The challenge and opportunity for financial institutions is to deliver high standards of protection while maintaining a smooth, user-friendly experience. Getting this balance right helps build both trust and loyalty.

Reframing Friction in the Customer Journey

Consumers want fast intuitive interactions, not at the cost of their safety. The balance of friction, fraud and optimal customer journeys has long been a challenge for the financial services industry across the payments sector. Friction is often associated with challenge and negative consumer experiences, however there is a growing consensus that reframing the narrative around designing friction intentionally, and with impact, is necessary especially in the face of growing APP fraud attempts.

Organisational Challenges in Combatting Financial Crime

Cross-sector collaboration is essential for tackling critical challenges. The Financial Regulation Innovation Lab presents an exciting opportunity to be able to work alongside industry leaders and innovative companies to strengthen our collective approach on such pivotal issues.

Stephen Boyes, Director for Banking & Financial Services, *BT Business*



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Fragmented Data Sharing and Cross-Sector Collaboration

Limited intelligence-sharing between banks, regulators, fintechs, and law enforcement agencies prevents a unified approach to financial crime detection.

Key Challenges

- Domestic and international data sharing frameworks vary, with the UK's Smart Data Bill and Information Commissioner's Office (ICO) guidelines offering opportunities to enhance responsible, privacy-compliant data-sharing frameworks for fraud prevention.
- Institutions and regulatory authorities are navigating the balance between privacy and data-sharing, which remains a complex challenge.
- Data integrity poses an obstacle for collaboration, specifically around alignment in data standardisation across institutions and sectors

2

Evolving Typologies & Cyber Enabled Crime

The evolution of criminal tactics is accelerating rapidly. Financial crime and fraud have transformed from opportunistic attempts into large-scale, sophisticated networks of bad actors and illicit activities.

Key Challenges

- Institutions often operate with a fragmented view of customer interactions, lacking visibility of the big picture; making it difficult to detect patterns or intervene early.
- Criminals are rapidly adapting to heightened controls and will shift their focus to weaker institutions and exploiting gaps in the ecosystem
- Embedding intentional friction into customer journeys is critical for disrupting sophisticated threats—creating 'moments of pause' that may alert consumers to criminal activity, while reinforcing trust and maintaining a positive customer experience.

3

Legacy Monitoring & Organisational Complexity

Financial institutions face growing pressure to meet their responsibilities while managing large transformation programmes aimed at boosting operational resilience and tackling increasingly complex financial crime and fraud.

Key Challenges

- Mergers and acquisitions have left behind legacy, siloed systems. Resulting in reduced operational effectiveness, resource allocation and increasing compliance costs.
- Internal organisational structures can further entrench siloes, making it difficult to coordinate efforts. Many institutions are now shifting towards an integrated 'FRAML' approach—combining Fraud and Anti-Money Laundering capabilities into a unified approach.
- While technological advancements offer opportunities to strengthen controls, complex organisational infrastructures often hinder effective implementation due to disparate capabilities and legacy systems

Organisational Challenges in Combatting Financial Crime

Industry-wide collaboration is crucial to address challenges that extend beyond individual organisations. It's about identifying common issues, learning from peers, and prioritising industry-driven solutions, rather than starting with technology and seeking a problem to solve.

Elaine McLaughlan, FinTech and Open Banking Lead, TSB



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Regulatory Complexity and Compliance Costs

UK financial institutions are spending over £21,000 per hour on financial crime compliance, according to LexisNexis, yet the threat continues to grow. With the National Crime Agency estimating £10 billion is laundered annually, the rising cost of compliance demands a rethink—supporting institutions to become a stronger line of defence.

Key Challenges

- Navigating disparate regulatory frameworks across jurisdictions creates operational and legal complexity.
- Whilst it is widely recognised technology plays a vital role in tackling financial crime, institutions are continuing to navigate the balance of automation and human oversight across these controls.
- The FCA 2025 – 2030 strategy outlines its commitment to supporting institutions in drawing on new, developing technology to improve controls and reduce costs, presenting a significant opportunity to cut this cost and bolster prevention of illicit activity.

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False Positive Rates

High false positive rates divert valuable time and resources away from genuine threats, slowing down response times and increasing operational pressure. Reducing noise through smarter analytics is critical to strengthening financial crime prevention efforts.

Key Challenges

- Large volumes of structured and unstructured data present a challenge for outdated rule-based systems to effectively identify suspicion.
- The lack of standardisation in data input and process remains a challenge when matching with risk control data feeds, such as negative news and sanctions screening.
- The labour-intensive manual review of false positives is a major driver of rising financial crime compliance costs, diverting skilled analysts from genuine, risk-based decision-making.

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Collaborative Environments and Regulatory Engagement

Access to the right collaborate environments, resources, and data remains one of the biggest barriers to strengthening financial crime controls. For example, training high quality data models to detect fraud relies on access to diverse, high-quality data. Collaborative engagement of regulators in these environments is vital.

Key Challenges

- Access to the right environments and resources is crucial for co-creating effective, collaborative financial crime controls, incorporating regulatory perspectives through a sandbox approach.
- A lack of clearly aligned incentives and accountability for ecosystem wide collaboration can cause challenges for commitment and resourcing despite the successes of joint proof of concepts.
- High quality, diverse data is critical for training AI models that can detect evolving fraud and financial crime threat.

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OPPORTUNITY FOR INNOVATION

Strengthening controls around financial crime and fraud requires a coordinated response across the ecosystem. Through the Financial Regulation Innovation Lab (FRIL), we are seeing strong commitment from industry, regulators, and fintechs to continue to work together and drive meaningful progress.

The collective ambition is clear: to move beyond reactive approaches and build smarter, more collaborative systems that prevent, detect, and respond to threats in real time. This report highlights many of the opportunities that are already emerging from this shared effort.

This is a powerful moment for the fintech community to lead, bringing bold ideas and practical solutions that enhance controls, improve outcomes, and support a safer financial system for everyone.

An Ecosystem-Wide Approach to Tackle Financial Crime

The scale of financial crime challenge cannot be underestimated. Tackling fraud and financial crime needs collaboration across the ecosystem.

Addressing financial crime effectively requires system-wide coordination across financial institutions, regulators, and technology providers. No single organisation can tackle this challenge in isolation. The complexity of modern financial transactions, combined with differing global standards, creates vulnerabilities that criminals are quick to exploit.

There is growing recognition across the cluster that collaboration, shared intelligence, and adaptive technologies are essential to making progress. Speed of response is critical, and institutions must be equipped not only to detect threats but also to respond in real time using predictive tools such as machine learning models.

Consumer harm remains a central concern. Financial crime often intersects with major life events, and the industry has a clear responsibility to consider these risks as part of product development and harm identification, in line with the Consumer Duty.

Many scams now originate outside the traditional financial ecosystem, through social media, messaging platforms, or telecommunications providers. Addressing this shift will require closer cooperation between regulators, industry, and technology partners to explore new approaches, establish appropriate redress mechanisms, and equip consumers with the tools they need to protect themselves.

Innovation in this space must be purposeful, grounded in real-world challenges and informed by shared experimentation and a collective ambition to protect both people and institutions. This involves building inclusive and trusted environments where ideas can be tested, technologies refined, and risks understood in a safe and transparent way. Cross-sector partnerships involving fintechs, financial institutions, regulators, academia, and large technology firms are already demonstrating the value of working together to co-design solutions that are scalable and impactful.

By deepening collaboration and embedding it into regulatory and operational practice, the financial ecosystem can shift from fragmented efforts to a unified, proactive approach to protection. Together, we can move more swiftly, think more intelligently, and remain ahead of evolving criminal threats.

Fighting financial crime relies on partnerships—across government, regulators, law enforcement, industry, and fintechs. It's about teamwork, collaboration, and driving innovation together to achieve beneficial outcomes for consumers and the financial market. The work happening in the Financial Regulation Innovation Lab supports our strategy to fight crime, support consumers and drive growth

Steve Smart, Joint Executive Director of Enforcement and Market Oversight, FCA



Emerging Technology as a Catalyst for Fraud and Financial Crime Prevention

Collaborating closely with a diverse range of industry partners in the Financial Regulation Innovation Lab has validated our Privacy Enhancing Technologies solution as a way to combat financial crime through privacy preserving intelligence sharing. We also uncovered new industry-led use cases we hadn't explored before.

Róisín McCarthy, CEO & Founder, Verifox



Emerging technologies are giving financial services institutions new ways to detect and disrupt financial crime, improve compliance effectiveness, and protect consumers, while enhancing the customer experience.

Institutions across the ecosystem are working together to explore how innovations including AI, privacy-enhancing technologies (PETs), biometrics, and advancements in RegTech can be implemented responsibly and at scale.

Progress in these areas are enabling institutions to move beyond traditional compliance frameworks, strengthening their defences and allowing for faster, more proactive responses to evolving threats. By integrating these technologies, financial services institutions can improve fraud prevention, meet growing regulatory expectations, and deliver more secure, seamless banking experiences.

As regulation continues to evolve, so too does the opportunity to adopt smarter, data-led strategies. Innovations in signal processing, digital identity, and privacy-preserving data collaboration are helping shift the industry from reactive controls to coordinated, intelligence-driven approaches. These capabilities are most effective when developed and tested in collaborative environments where insights can be shared across institutions, regulators, and technology providers.

Threat Intelligence and Cross-Sector Collaboration

Fintechs are building the connective tissue of the financial crime ecosystem by developing intelligence-sharing platforms that link financial institutions, regulators, and law enforcement to identify and respond to emerging threats. These platforms enable real-time insights, allowing for faster, more coordinated action against fraud networks and evolving criminal tactics.

To be truly effective, these efforts must expand to include other key players, particularly Telco and Big-Tech, whose data and infrastructure are critical to capturing the full picture of financial crime activity across channels.

Automating signal processing - Artificial Intelligence (AI) and Machine Learning (ML)

Given the speed and volume of transactional data, it's critical to be able to process data effectively and identify anomalies for review. AI and ML are providing these capabilities in improving fraud detection by analysing vast amounts of transactional and behavioural data to identify suspicious activity with greater accuracy.

These technologies enable financial services institutions to detect emerging threats, automate investigations, and reduce the volume of false positives, allowing compliance teams to focus on high-risk cases. Strengthening collaboration and driving cross sector engagement will be essential to achieve effective signal processing.

Minimising data privacy and security impacts - Privacy-Enhancing Technologies (PETs)

Detecting and preventing financial crime and fraudulent activity whilst protecting and preserving individuals' privacy rights are not mutually exclusive. PETs provide a means for financial services institutions, Telco & Big-Tech to securely collaborate on financial crime intelligence without compromising customer data privacy.

These technologies, including federated learning and homomorphic encryption, enable institutions to share insights while adhering to data protection regulations, such as GDPR.

Improving Identity & Authentication - Biometrics and Digital Identity Verification

Robust individual and a corporate identity verification is critical to the detection as well as prevention of financial crime and fraud. Institutions are faced with a complex risk landscape when considering their control frameworks. Compromised, deepfake and synthetic identities are challenging to address whilst balancing approval speeds and maintaining a seamless user experience.

Digital identity solutions help prevent impersonation fraud and synthetic identity creation by cross-referencing identity attributes with verified databases. Collaborative initiatives, such as that of CFIT, demonstrate the value Digital ID can present in its potential to generate improvements in productivity and significantly counter efforts of bad actors in committing financial crime and fraud.

FRIL: An Environment for Collaboration and Innovation

The Financial Regulation Innovation Lab (FRIL) was established to help realise opportunity and to build successful cross-industry partnerships that unlock the value they bring.



FRIL is helping to create an innovative, neutral environment for learning and collaboration across financial regulation and, to date, has focused on tackling challenges around ESG, Consumer Duty and Simplifying Compliance using AI. FRIL allows participants to engage and collaborate on the dynamic demands of financial regulation, explore, test and experiment with new technologies, build confidence in solutions and demonstrate their ability to meet regulatory standards worldwide.

FRIL engages industry participants, including large established financial institutions, innovators, academics, and regulators in four inter-related programmes of action:

Innovation Challenge Calls	Applied Actionable Research
Skills Development	Knowledge Sharing

The FRIL Financial Crime Challenge has demonstrated the value of collaboration between fintech startups and industry partners, ranging from established financial institutions to telecommunications and technology institutions.

- By working together, institutions can leverage fintech expertise to:
- Develop innovative solutions that help tackle fraud and financial crime
 - Improve data-driven decision-making, using AI and analytics
 - Proactively address regulatory concerns, ensuring institutions meet FCA expectations efficiently and effectively

Fintech partnerships are reshaping how financial services institutions approach combatting financial crime. Institutions that successfully integrate fintech innovation will be better positioned to deliver fairer, more transparent, and more supportive financial services, aligning with both regulatory expectations and consumer needs.

FinTech Scotland is driving collaboration within the fintech and financial regulatory ecosystem by building an innovative and inclusive community that facilitates collaboration across industry, government and academia.

The Financial Regulation Innovation Lab (FRIL), a partnership between FinTech Scotland, University of Strathclyde and University of Glasgow, is an industry-led collaborative research and innovation programme focused on leveraging new technologies to respond to, shape, and help evolve the future UK regulatory landscape, creating new employment and economic opportunities.

Working with the delivery framework opened up numerous opportunities to connect with major industry players and deeply explore the challenges they were facing. The value and insights we gained through the lab have provided an exceptional return on investment.

Frederic LeBeau, CEO & CO-founder, *Datavillage*

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Building Successful Partnerships

The FRIL Financial Crime Innovation Call has already helped build several successful partnerships to tackle some of today's most pressing Financial Crime challenges.

The Financial Regulation Innovation Lab (FRIL) is a platform for responsible innovation, bringing together regulators, fintechs and industry partners, ranging from established financial institutions to telecommunications and technology organisations, to tackle regulatory and consumer challenges.

The Financial Crime Innovation Call created an opportunity to accelerate industry-wide progress. Collaboration and innovation are core to the FRIL innovation calls and this neutral environment for innovation ensures FRIL drives meaningful change, rather than becoming a mere compliance exercise.

1

Enhancing security and efficiency in identity verification

The Challenge

How might we build robust, user-friendly authentication systems to enhance identity verification processes and mitigate risks of emerging threats?

Industry Partners



2

Harnessing data to detect evolving typologies of financial crime and fraud.

The Challenge

How can technology be employed to proactively identify and address evolving financial crime and fraud typologies, leveraging data analytics to enhance risk management capabilities?

Industry Partners



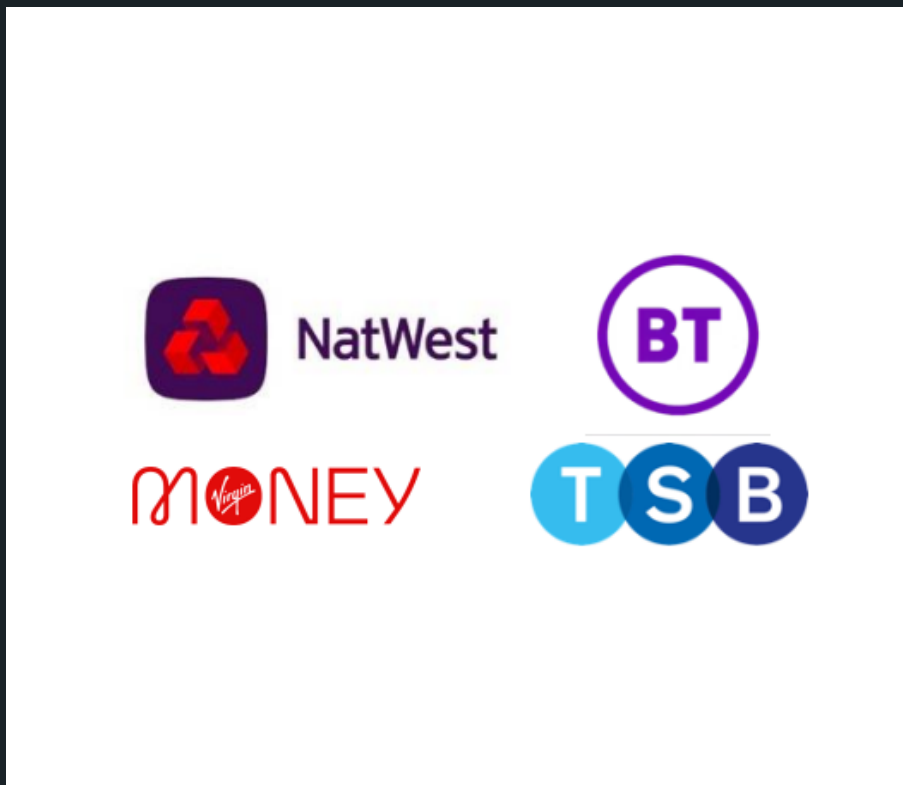
3

Facilitating the proactive and secure sharing of intelligence.

The Challenge

How can data related to evolving or confirmed instances of economic crime (including fraud) be shared amongst stakeholders in the ecosystem?

Industry Partners



4

Future proofing systems and controls

The Challenge

How can we harness cutting-edge technology to anticipate and address evolving regulatory demands in a proactive, future-focused way?

Industry Partners



5

Strengthening operational efficiencies in alert dispositioning

The Challenge

How can the applications of technologies, such as generative AI, be leveraged to support the manual review of alerts throughout the KYC process?

Industry Partners



FRIL Fintechs Addressing Financial Crime in Unique Ways

Fifteen fintechs participated in the FRIL Financial Crime Innovation Call.





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A PATH FORWARD

Significant progress has to be made in addressing financial crime across the Financial Services industry and wider ecosystem, with clear commitment from the Financial Conduct Authority in its strategic focus to prioritise this complex challenge.

As we move forwards, we must build on the momentum, challenge the barriers that stand in the way of progress, and continue to fight this pernicious drain on individuals and society through an actionable roadmap for change.

Innovation and Collaboration to Shape the Future



Tackling financial crime at scale requires more than individual effort, it calls for systemic collaboration, innovation, and shared responsibility. This report outlines the foundational shifts needed across technology, regulation, culture, and partnerships to build a more proactive, agile, and future-ready financial ecosystem.

By making these shifts, the financial services industry has an opportunity to move from a reactive to a proactive stance against financial crime. A future where fintech innovation is embedded within the financial ecosystem and will enable institutions to outpace illicit activity, enhance trust, and create a safer and more resilient financial sector.

Modernising Legacy Systems and Enabling Interoperability

Many financial services institutions operate on legacy IT infrastructure that makes seamless integration with fintech solutions challenging.

- A shift towards cloud-based, API-driven architectures will help financial services institutions adopt real-time transaction monitoring, AI-driven risk assessments, and enhanced fraud detection.
- Ensuring solutions are scalable will support the future proofing of financial crime prevention capabilities as they evolve alongside emerging threats, both domestically and internationally.

Fostering Regulatory Clarity and Alignment

The evolving financial crime landscape requires greater harmonisation of AML and financial crime regulations across jurisdictions.

- Regulators can play a key role in supporting fintech adoption through innovation-friendly policies and regulatory sandboxes that allow institutions to test new financial crime prevention solutions.
- The FCA's emphasis on simplifying compliance and fostering growth and competition is an impactful message throughout its strategy for 2025 - 2030. However, with the focus on competition, it is also crucial to prioritise collaboration and address the issues related to system and data fragmentation in addressing financial crime.

Tackling financial crime depends on collective action across financial services, fintechs, and regulators. By working together, the ecosystem can strengthen controls, improve outcomes, and build a safer, more resilient financial system.

Strengthening Culture and Capabilities in Financial Crime Prevention

Stronger collaboration between internal teams is becoming a critical success factor in tackling financial crime. Across the industry, institutions are breaking down silos and building closer alignment between fraud, financial crime, cyber, risk, compliance, and innovation teams.

- This cohesion creates the foundation for faster, smarter responses. When internal expertise is combined with targeted fintech partnerships, institutions are able to focus on the right problems, scale innovation more effectively, and deliver stronger outcomes for the financial market.
- Embedding this culture requires a mindset shift, one that values openness, shared goals, and continuous learning. It also calls for ongoing investment in upskilling teams in areas like AI, data analytics, and emerging technologies to ensure institutions are ready to adapt and lead.

Enhancing Cross-Sector Collaboration and Intelligence Sharing

The Future of Financial Intelligence Sharing concisely summarises that information sharing is only a tool to achieve an objective, it is not an objective in itself. This signifies the importance for both public and private sector stakeholders to consider and establish impactful objectives and incentives for impact of engagement to be maximised.

- National policy makers and supervisors' constructive engagement and progression towards policy clarity relating to data sharing will unlock transition from proof-of-concept collaboration to live, in production activity.
- Collaborative applications of emerging technologies, including privacy-enhancing technologies (PETs), can enable secure data sharing without compromising customer privacy or violating GDPR regulations.

Supporting Scalable and Cost-Effective Innovation

Accessible and collaborative environments where fintechs, financial institutions, and regulators can come together to design, test, and scale new solutions are essential to meaningful progress. These shared spaces allow the ecosystem to combine strengths, unlock critical datasets, and co-create propositions that are grounded in real-world needs.

- Regulatory innovation services such as sandboxes and synthetic data environments play a vital role in enabling safe experimentation.
- They reduce risk and cost, lower barriers to entry, and accelerate the path from concept to deployment. By drawing in participants from across sectors, these environments help ensure that the most impactful innovations are scalable, compliant, and ready to deliver system-wide benefit.

An Actionable Roadmap
for Change

As an industry, we must lean into the positive progress
being made and continue investing in the research and
innovation activities that will move us forward.

Through conversations with the Financial Services industry and fintech ecosystem, we’ve created an actionable roadmap for change that outlines the critical actionable research and future innovation activities that we, as an industry, should be looking to explore in our collective ambition to transition to a more sustainable future.

The roadmap is underpinned by FinTech Scotland’s ongoing commitment to support the Financial Services industry and fintech community through its knowledge Exchange, Education and Skills, Innovation Calls and Actionable Research workstreams.

Foundational Theme	Type	Actions	Phase
Detecting Evolving Financial Crime Tactics	Actionable Research	Assess the evolution of typologies in response to socio and geo-political trends, as well as the evolving regulatory and legislative landscape. Analyse how organisational structures influence the culture, mindset, and effectiveness of financial crime and fraud control, as well as typology detection frameworks.	1
			2
	Innovation Activities	Contribute to domestic and international typology sharing pilot programmes, bolstering knowledge sharing and detection capabilities. Expand Regulatory sandbox capabilities to support additional role of cross-sector signal sharing.	1
			2
Leveraging AI, ML, & Emerging Technologies	Actionable Research	Assess operating model infrastructure and share knowledge on best practice to facilitate integration of innovative capabilities. Examine best practice applications of innovative propositions in the detection and prevention of financial crime and fraud.	1
			1
	Innovation Activities	Build on the delivery of the Financial Regulation Innovation Lab, as well as wider innovation initiatives such as the Bank of International Settlements, to support integration of fintech capabilities with institutions. Strengthen synthetic data and development capabilities to support the development of AI/ML solutions.	1
			2
Enhancing Cross-Sector Collaboration and Intelligence Sharing	Actionable Research	Define standardised financial crime and fraud data elements through the creation of a data dictionary and handbook. Centralise and share financial crime taxonomies and identifiers to streamline interoperability. Assess opportunities and challenges of existing data-sharing frameworks and the barriers to strengthening engagement.	1
			2
			1
	Innovation Activities	Implement collaborative, cross industry frameworks that connect data sources & intelligence to share signals effectively Engage regulatory and data protection authorities in application testing of Privacy Enhancing Technologies in data sharing Expand on existing data sharing initiatives, such as the NCA Data Fusion project and FATF Forum on Data Frameworks	1
			3
			2
Enhancing Consumer Protection & Awareness	Actionable Research	Explore how vulnerability signals (inherent and transient) can be measured and shared in a privacy preserving way so interventions can be tailored appropriately Assess best practices regarding friction in the consumer journey, and where interactive interventions are successful in disrupting financial crime and fraud	1
			1
	Innovation Activities	Engage behavioural insight expertise into the capability creation process Trial collaborative cross-sector financial crime and fraud prevention strategies, including education and technological solutions, engaging representation across financial services institutions, telecommunications and social media to mitigate social engineering	2 1

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Ways To Get Involved

FRIL has been built around the principles of cross-industry collaboration and collective positive action. We invite you to join our mission to redefine how Financial Services Regulation is done.

Join FinTech Scotland Community

Fintech Scotland has been established to secure Scotland's place as a top five global fintech centre.

We develop and enable collaborative innovation across the fintech ecosystem. We encourage relationships between large established Financial Services institutions and fintech institutions, as well as facilitating the connections with the universities, technology and services providers, public body agencies and regulators such as the Financial Conduct Authority (FCA).

The benefits for fintechs and start-ups joining the community are:

Access to a Thriving Ecosystem. Gain entry to one of the UK's most dynamic fintech hubs, offering opportunities to connect with industry peers, investors, academic partners, and regulators to drive innovation and growth.

Enhanced Visibility and Collaboration. Benefit from networking events, conferences, and promotional platforms that amplify your brand and foster collaborations with key players across Financial Services, technology, and academia.

Tailored Support for Growth. Receive guidance on scaling your business through resources, mentorship, and access to research and development opportunities within Scotland's world-class financial and tech ecosystem.

<https://www.fintechscotland.com/what-we-do>

Discover FRIL Research and White Papers

FRIL undertakes groundbreaking industry led research that helps participants engage and collaborate on the dynamic demands of financial regulation. A programme of applied actionable research is underway. FRIL has integrated academic study with an industry relevant agenda focused on enabling knowledge sharing on cutting-edge topics such as generative and explainable AI, advanced analytics, advanced computing, and earth-intelligent data as applied to financial regulation.

FRIL applied actionable research white papers are designed to frame complex problems, identify new perspectives and discover new insights, create frameworks for solutions and highlight potential industry applications, and utilise testing environments that enable further collaboration and understanding. The following White Papers are available:

www.fintechscotland.com/what-we-do/financial-regulation-innovation-lab/research/

Future FRIL Innovation Calls

The Financial Regulation Innovation Lab (FRIL), a partnership between FinTech Scotland, University of Strathclyde and University of Glasgow, is an industry-led collaborative research and innovation programme focused on leveraging new technologies to respond to, shape, and help evolve the future regulatory landscape in the UK and globally, helping to create new employment and business opportunities, and enabling the future talent.

www.fintechscotland.com/what-we-do/financial-regulation-innovation-lab

Further information

Research and Analysis

As part of the development of this report, a range of desk-based research and analysis was conducted, along with a series of stakeholder interviews with industry partners.

The analysis is built upon the research and work done during the FRIL Consumer Duty Innovation Call and the analysis and recommendations within the FinTech Research & Innovation Roadmap 2022-31, authored by FinTech Scotland.

The analysis focused on several key areas, including the core challenges Financial Services face regarding fighting fraud and financial crime, the opportunities they see in fintech partnerships, the key barriers to progress, and recommendations for future innovation challenge calls.

Methodology

1:1 FRIL partner stakeholder interviews.

An online questionnaire.

Desk based research.

Participating Organisations

The following stakeholder groups participated in the FRIL Financial Crime Innovation Call. Without them, this report would not be possible, and we thank them for their invaluable contribution and continued support.

Government

Department for Business, Innovation and Skills

Regulators

The Financial Conduct Authority

Information Commissioner's Office

Industry Partners

Aberdeen	Fujitsu
Bank of International Settlements	HSBC
Barclays	Lloyds Banking Group
BT	Smart Data Foundry
Citizens Advice Scotland	TSB
Coventry Building Society	University of Glasgow
Equifax	The City UK
EY	Virgin Money

Fintech Partners

Amicus	Pytilia
Argus Pro	Senguard
BarrierNetworks	Serene
DataVillage	Sopra Steria
DX Compliance	Swordbreaker
Encompass	ThreatFabric
Haelo	Verifoxx
Lasting Asset	

Further Reading

This report aims to create economic, environmental, and societal value through Fintech research and innovation. The findings are designed to align with existing FinTech and innovation-related strategies across Scotland and the rest of the UK, including:

FinTech R&I Roadmap 2022-3. This roadmap outlines the strategic priorities for research and innovation in fintech, aiming to position the sector as a global leader by fostering collaboration, enhancing skills, and driving sustainable growth over the next decade.

Scotland's Financial Services Strategy. This strategy aims to strengthen Scotland's Financial Services sector by fostering innovation, promoting sustainable finance, and enhancing global competitiveness while driving positive societal and economic outcomes.

UK Government Innovation Strategy. This strategy outlines the UK government's vision to become a global leader in innovation, focusing on investments in technology, skills development, and collaboration to drive economic growth and address societal challenges.

UK Innovation Strategy: Leading the Future By Creating It. The strategy builds on the UK's ambition to lead global innovation efforts by investing in transformative technologies, fostering a skilled workforce, and creating an ecosystem that supports growth, competitiveness, and resilience.

FCA Strategy 2025-2030. This new 5-year strategy focuses on four key areas: deepen trust, rebalance risk, support growth and improve lives.

FCA Financial Lives 2022 Survey. This survey provides information about consumers' attitudes towards managing their money, the financial products they have and their experiences of engaging with Financial Services institutions. A total of 19,145 respondents completed the 2022 survey.

FCA Vulnerability Review Improving Outcomes Consumers Engaging Financial Services Institutions. This review focuses on the specific current and evolving consumer vulnerabilities.

CFIT. Digital Company ID aims to reduce fraud and compliance costs by streamlining onboarding and enhancing data security.

BIS Innovation Hub Publications on Financial Crime. The BIS Innovation Hub explores innovative technologies like network analytics to detect financial crime while preserving privacy.

FIFS Private Sector Collaboration. The FIFS report highlights global private-sector collaboration to combat financial crime through data sharing and joint investigations.

ADDRESSING FINANCIAL CRIME

Through Innovation in Financial Regulation