



University of
Strathclyde
Glasgow

Financial Regulation Innovation Lab

Responsible AI for Better Consumer & Firm Outcomes

About this Innovation Call
June 2026

Financial Regulation Innovation Lab: Phase 3 Overview

Financial services is navigating unprecedented change with rapid technological advances. The challenges are pressing, the opportunities significant. Neither is waiting. Regulation provides an opportunity to facilitate innovation but also a burden of compliance.

The Financial Regulation Innovation Lab (FRIL):

- Is an established industry-led collaborative research and innovation programme;
- Leverages new technologies to respond to and shape the future regulatory landscape in the UK and globally;
- Provides an environment for participants to engage, collaborate, and test solutions;
- Is delivered by FinTech Scotland in partnership with the University of Strathclyde;
- Works closely with the regulator;
- Is funded by Scottish Enterprise (2026 - 2029).

FRIL Successes (Phases One and Two)

- 6:1 positive returns on public investment
- £28m total committed investment
- 120 FinTech SMEs supported to accelerate business solutions
- 168 high-value jobs projected over next 3 years
- 27 Fintechs supported with £50k grants in Phase One alone

Financial Regulation Innovation Lab: Phase 3 Themes

FRIL Phase 3 is focused on innovation calls and knowledge exchange. Partnering on skills or research remain as options.

Phase 3 Themes

There will be up to five Innovation Calls under Phase Three (2026-2029).
The themes are led by industry, and subject to change but currently drafted as:



Responsible AI for Better Consumer & Firm Outcomes



Quantum Readiness



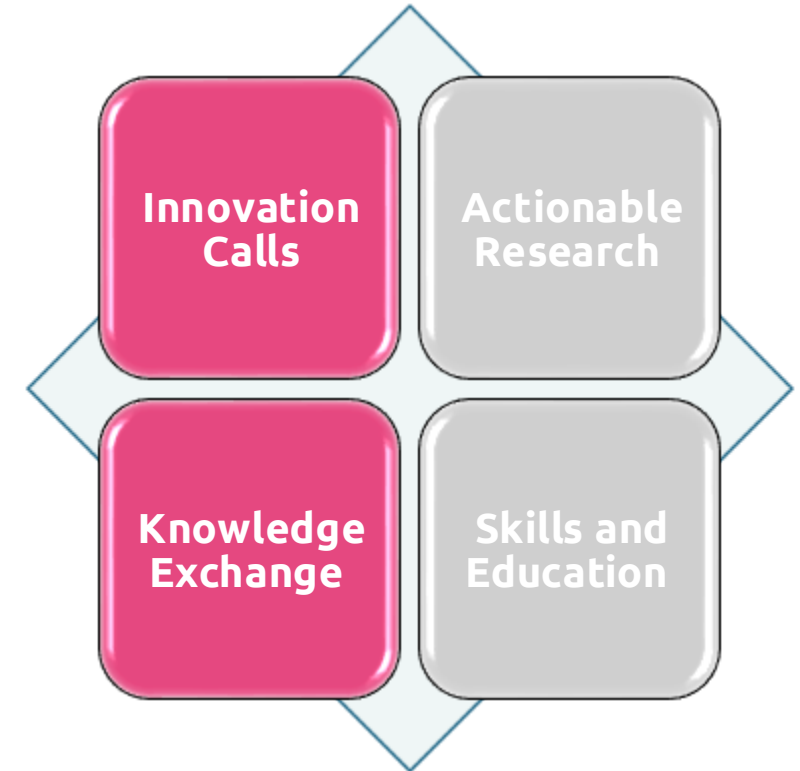
Future Risk Systems Digital Risk Taxonomies



Open Finance



AI for Financial Crime Controls & Smarter Compliance



Above: FRIL Delivery Framework

Innovation Call 1 : Responsible AI for Better Consumer & Firm Outcomes

Industry-led theme

Context

AI is a fast-moving frontier technology re-shaping financial services businesses and every aspect of their operations and customer interactions.

We are moving fast to deployment across a range of back office and customer facing interactions and some organisations are considering the wholesale reworking of their commercial models.

There are opportunities to improve efficiency, to better understand and serve all customers and businesses. Yet, as technology advances rapidly there are risks.

The Sheldon Mills review, due to report soon, will give some context to the regulator's view.

In the interim we need to ensure that the AI-enabled systems we are building and deploying are built such that consumer outcomes, explainability and regulatory evidence are built by design into digital outcomes.

That is the focus of our first innovation call.

Use cases have been developed through engagement with industry.

Financial Regulation Innovation Lab: Utilising Responsible AI for Better Consumer & Firm Outcomes

Use Case One: AI Bias Detection & Mitigation

Challenge Statement

How might we identify, test and mitigate bias in AI-driven decision-making to ensure fair, explainable and defensible outcomes?

Background

AI is being adopted at pace in Financial Services both to create back-office efficiencies and to better serve customers and businesses. However, it also introduces risk including unintentional algorithmic bias and 'black box' decision making. AI can help delivery of good consumer outcomes at low cost but all organisations need to have insight and assurance into the extent to which the decisions they are taking are unbiased and explainable.

We are interested in

Solutions that are AI-enabled but embed good consumer or business outcomes, explainability and regulatory evidence by design. Tools should enable firms to monitor these systems, flag unfair patterns, run counterfactual testing and evidence to regulators that firms are managing these risks and reducing harm to consumers or businesses.

BaillieGifford™



BlackRock



EQUIFAX



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Use Case Two: AI Assurance & Governance

Challenge Statement

How might we design scalable assurance frameworks that strengthen auditability, accountability and trust in AI systems?

Background

As AI is adopted in finance, both regulators and firms need consistent ways to check if AI systems are safe, fair and compliant. These are needed at scale across operations and service lines in a way that uses standard audit checklists and test methods, enabling ethical AI compliance at scale in line with operational priorities.

We are interested in

Solutions which create a dynamic standardized and structured AI audit framework or assurance toolkit that can be adopted by firms and used by regulators to oversee the delivery of core services and tested across a range of AI-applications including pricing, credit, and support.



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Use Case Three: AI Agent Defence and Security

Challenge Statement

In what ways might we ensure AI agents with access to sensitive data in single or multi-agent scenarios are part of operational governance systems which are robust and secure?

Background

AI agents are in use across financial services supporting workflows across everything from software development, to real-time fraud detection, trading, operational and customer support. AI agents are susceptible to the risks posed by the "lethal trifecta": access to private data, exposure to untrusted content and the ability to communicate externally. Given the increasing adoption of agents across financial services, there are growing concerns about how to safely and robustly integrate them into operational systems. These concerns potentially compound with the use of more complex agent architectures, such as multi-agent frameworks rather than single-agent.

We are interested in

Solutions which use approaches that enable firms to have the highest level of assurance, operational oversight and control of AI agents. Tools should allow firms to create better guardrails, defence systems and operational fire-breaks that both prevent negative outcomes and systematically and continuously improve governance systems.

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Use Case Four: Turning Ethical AI Assessment into Actionable Risk Intelligence

Challenge Statement

How can we transform ethical AI assessments from compliance checkboxes into dynamic, quantified risk tools that give AI system owners a clear picture of their exposure across ethical principles, regulatory obligations, and proportionate controls - enabling confident, defensible deployment decisions?

Background

With rapidly advancing AI technologies, strict regulations, significant penalties (whether fines or brand trust) and shifting public trust, and higher global standards organisations are moving from static systems and checklists that struggle to keep pace with the rate of change to more automated, context-aware tools.

We are interested in

Tools that translate technical AI risks into financial and operational terms, that prioritise mitigation, that evidence oversight, accelerate remediation, reduce false alerts, proactively mitigate bias, spot insider threats or provide automated dashboards that align with global standards in real-time.



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Use Case Five: Intelligent Complaints Early-Warning Systems

Challenge Statement

How might we use AI and emerging technology to identify patterns across complaints data to detect systemic issues earlier and prevent consumer harm?

Background

The sheer volume of complaints data, human processing limitations, legacy systems and a drive from the regulator for financial services firms to be more proactive in addressing complaints is increasing cost and pressure on organisations to consider a shift from a more reactive to proactive approach to complaints. AI and machine learning could help firms to spot structure issues or product flaws earlier, proactively mitigating potential harms and costs.

We are interested in

Data-science, AI or Machine learning enabled approaches which allow firms to spot systematic root causes earlier, scan systems across multiple channels to identify vulnerability or unfair treatment earlier. Tools which allow emerging trend detection, predictive forecasting, root-cause pinpointing and defensible regulatory reporting.



NatWest



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Use Case Six: Supervisory-Ready Evidence & Reporting

Challenge Statement

How might we automate the generation of transparent, explainable management information that supports governance and regulatory oversight?

Background

AI can create an explainability gap where issues are flagged but are difficult to explain why. However, regulators are increasingly requiring organisations to provide an audit trail for decisions with outputs that aren't just accurate, but also fair, unbiased, and transparently derived from the raw data. Systems which have historically relied on spreadsheets struggle to meet this requirement or to extract relevant and meaningful insight. Addressing these could create lower remediation costs and help prevent mass harms.

We are interested in

Technologies that produce structured audit trails, decision logs, explainable logic and consistent management information to support transparent regulatory engagement, operational agility, consistent treatment for consumers and protection for vulnerable customers.

