CCTA SUMMIT

SUMMER 2025

09
JUL
2025

The FCA's Approach to AI

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Artificial Intelligence

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Regulatory Horizon Scan

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Between the Lines

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The FCA's approach to AI:

An overview

Emelie Bratt
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FCA

The FCA's approach to AI – an overview

Emelie Bratt
Senior Associate, AI Strategy, FCA

Presentation to CCTA 9 July 2025


FINANCIAL
CONDUCT
AUTHORITY
Strategy
2025
2030
Our priorities
Deepen trust
Smarter regulator
Fighting crime
Improve lives
Support growth
Help consumers
Rebalance risks

The FCA's approach to AI

AI could have a transformational impact on financial services and firms are increasingly considering how it could be used throughout their businesses, from increasing back-office efficiency to improving consumer interactions.

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The FCA is **technology-agnostic, outcomes-focused and principles-based**. We support innovation that benefits consumers and markets, supporting UK growth and competitiveness.

-

We want to enable the safe and responsible use of AI by regulated firms, balancing the risks and benefits AI could present to markets and consumers.

-

Many risks related to AI are not necessarily unique to AI itself and can therefore be **mitigated within existing legislative and /or regulatory frameworks** (e.g. Consumer Duty, Senior Managers & Certification Regime)

What we have done so far - a recap

Some of our key milestones, working closely with the Bank of England, exploring the use of AI in financial services include:

AI Update
(April 2024)
Response to the Government setting out our approach to AI, including how many of the risks associated with AI can be mitigated within the FCA's existing outcomes-based regulatory frameworks

AI Feedback Statement
(October 2023)
Summarising stakeholders' responses to the AI Discussion Paper

AI Discussion Paper
(October 2022)
On the potential benefits, the existing legal and regulatory framework, and how policy could support the safe and responsible adoption of AI in UK financial markets

Machine Learning Surveys
(October 2022 & 2019) – Nov 24 (forthcoming survey)
On the state of machine learning adoption in UK financial markets; publication of next survey: Q4 2024

AI Public Private Forum Final Report
(February 2022)
On AIPPF members' views on the barriers of adoption, challenges, and risks related to using AI in financial services

Our regulatory partners

Collaborating with our regulatory partners at home and abroad, government, academics and industry leaders

Home

- Working as part of the UK Digital Regulatory Cooperation Forum (DRCF): e.g. launched the pilot AI & Digital Hub to address cross-regulator queries
- Working closely with the UK Government
- Engagement with other agencies (e.g. National Cyber Security Centre, Turing Institute)

Abroad

- Working with, or contributing to AI working groups, international regulators as part of:
  - International Organization of Securities Commissions (IOSCO)
  - Financial Stability Board (FSB)
  - International Association of Insurance Supervisors (IAIS)
  - Global Financial Innovation Network (GFIN)
  - OECD

The FCA AI Lab

Live testing to support firms to adopt AI

AI Sprints

In-person events to understand Policy, Regulatory, Firm Adoption, and Tech challenges relating to AI adoption.

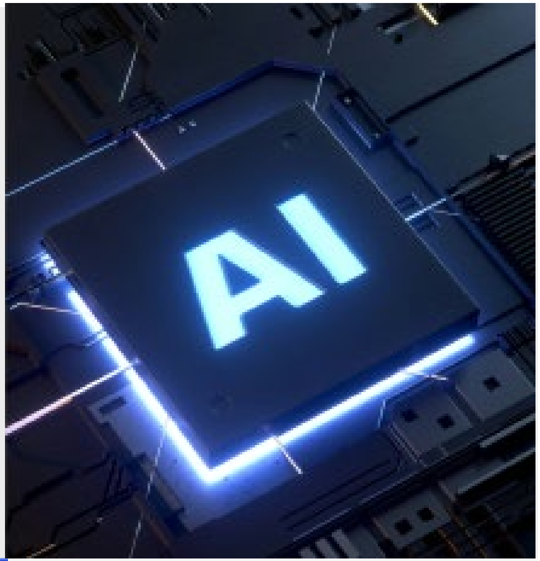
Launch event held 29-30 January

115 attendees

Supercharged Sandbox

Technical testing of AI development – experimentation environment with access
to datasets, tools and computing power

Launched on 10 June

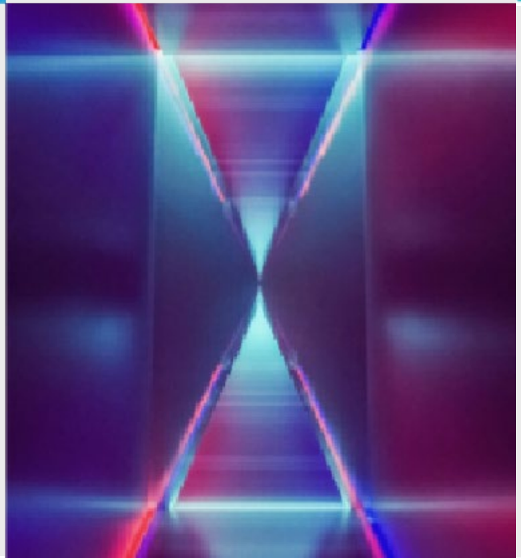


AI Spotlight

Engaging with innovators, experimenting with AI and showcasing their work.

Launch Event held 28 January

Over 80 applicants



AI Input Zone

Online platform for stakeholders to contribute their views on AI.

Initial call out closed 31 January

47 responses

AI Live Testing

Testing AI systems around the live markets deployment stage coupled with regulatory support for firms.

Applications open 9 July 2025

AI productionisation

Discovery → Alpha → Beta → Live

Innovation Services

Digital & Supercharged Sandboxes

- Proofs of concept (PoCs) at testing stages of AI development
- Develop, test & scale technical propositions/PoCs
- Compute power
- Pseudonymised real-world or synthetic datasets

AI Live Testing

For mature, market-ready systems (not PoCs)

Intended for firms

- Confident in objectives & approach to AI, but
- Lack certainty around performance, compliance & safety etc

- Strictly voluntary: AILT is not a supervisory tool
- Flexible and tailored to the firm's positioning

Collaboration with firms

- Enable the safe and responsible adoption of AI in UK FS
- Give firms the confidence and certainty to invest in AI, driving growth for the benefit & markets
- Work with industry to better understand AI risks & explore effective mitigation strate

This can only be achieved in close collaboration with firms!

Firm benefits from AI Live Testing

Our proposed resources, tools and support:

- Targeted and bespoke support for individual applicant firms
- Regulatory comfort
- Access to FCA expertise
- Access to AI expertise
- Explore use-case specific benchmarks / metrics
- Sharing key insights through publications and end-of-pilot reporting

Firm eligibility

Firms will need to demonstrate that:

1. They have carried out effective pre-deployment testing, and
2. They are ready to deploy in controlled live market consumer environments

We will work with firms to ensure they have appropriate risk identification and safeguards in place, including an approach to addressing any potential harms

Thank you

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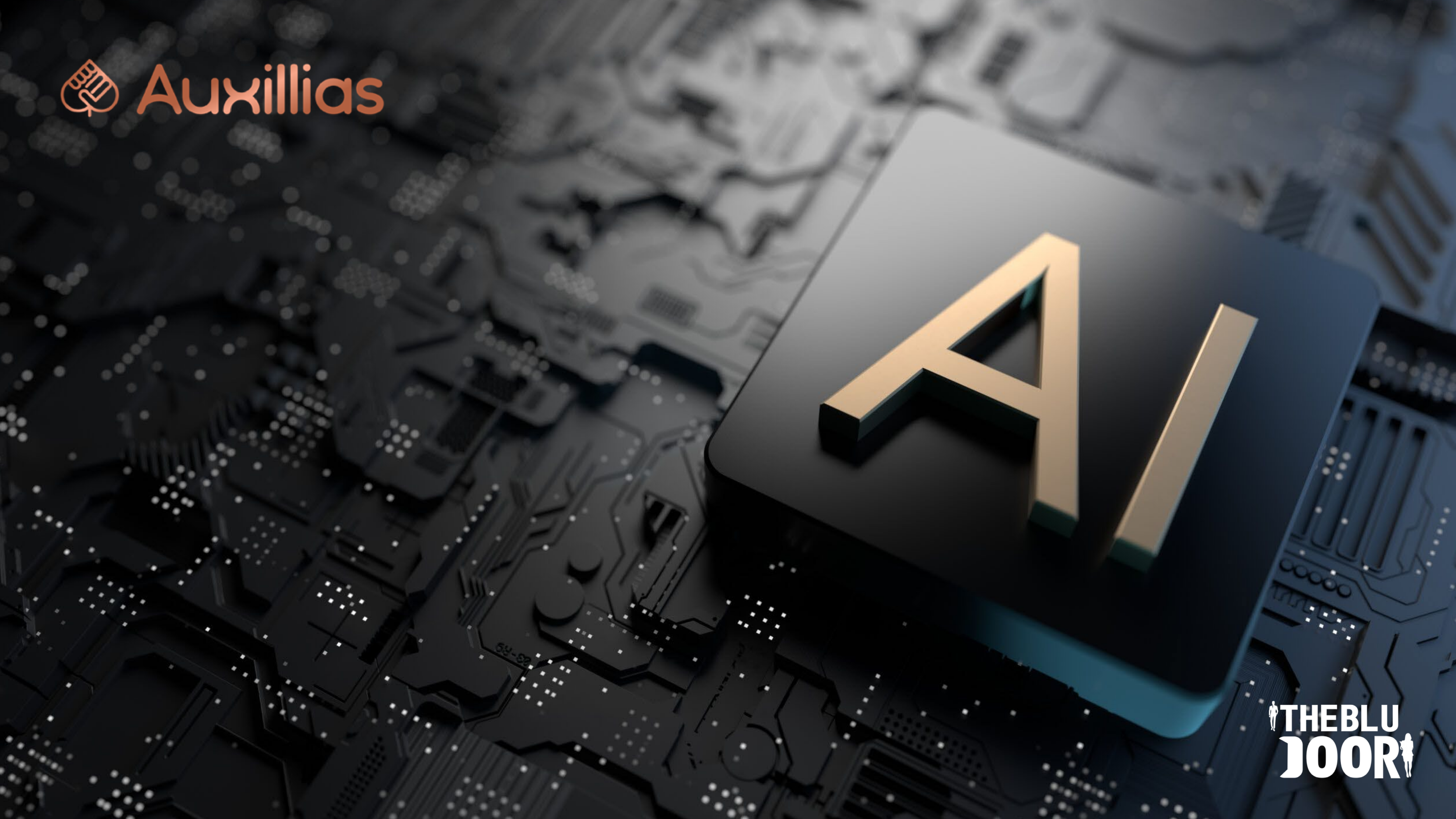
Artificial Intelligence

Business Understanding

Artificial Intelligence

Business Understanding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AI
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Gartner

JPMorganChase

85% AI Project Failure

Embed AI into Decisions

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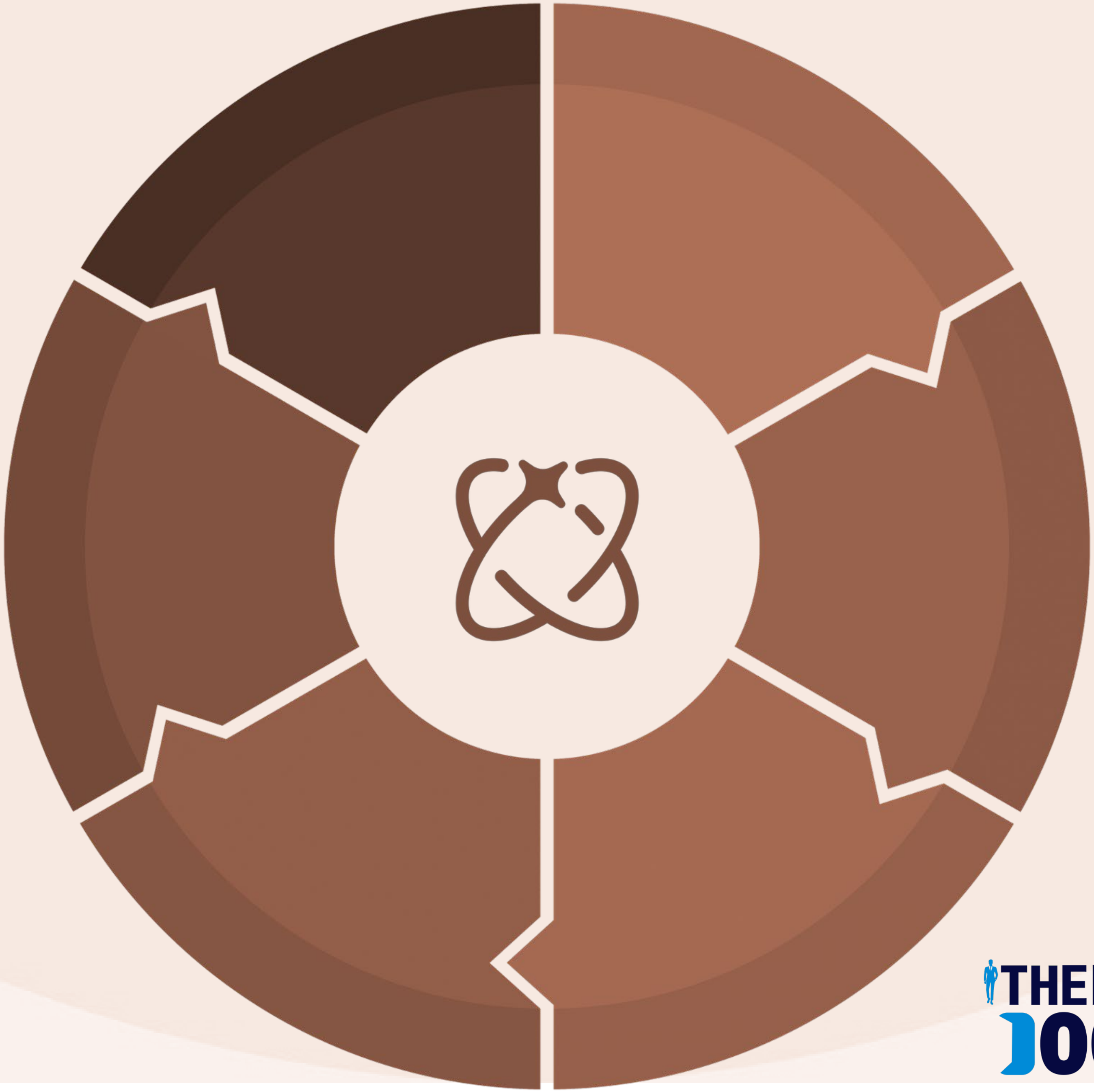
The Ai I.M.P.A.C.T. Accelerator



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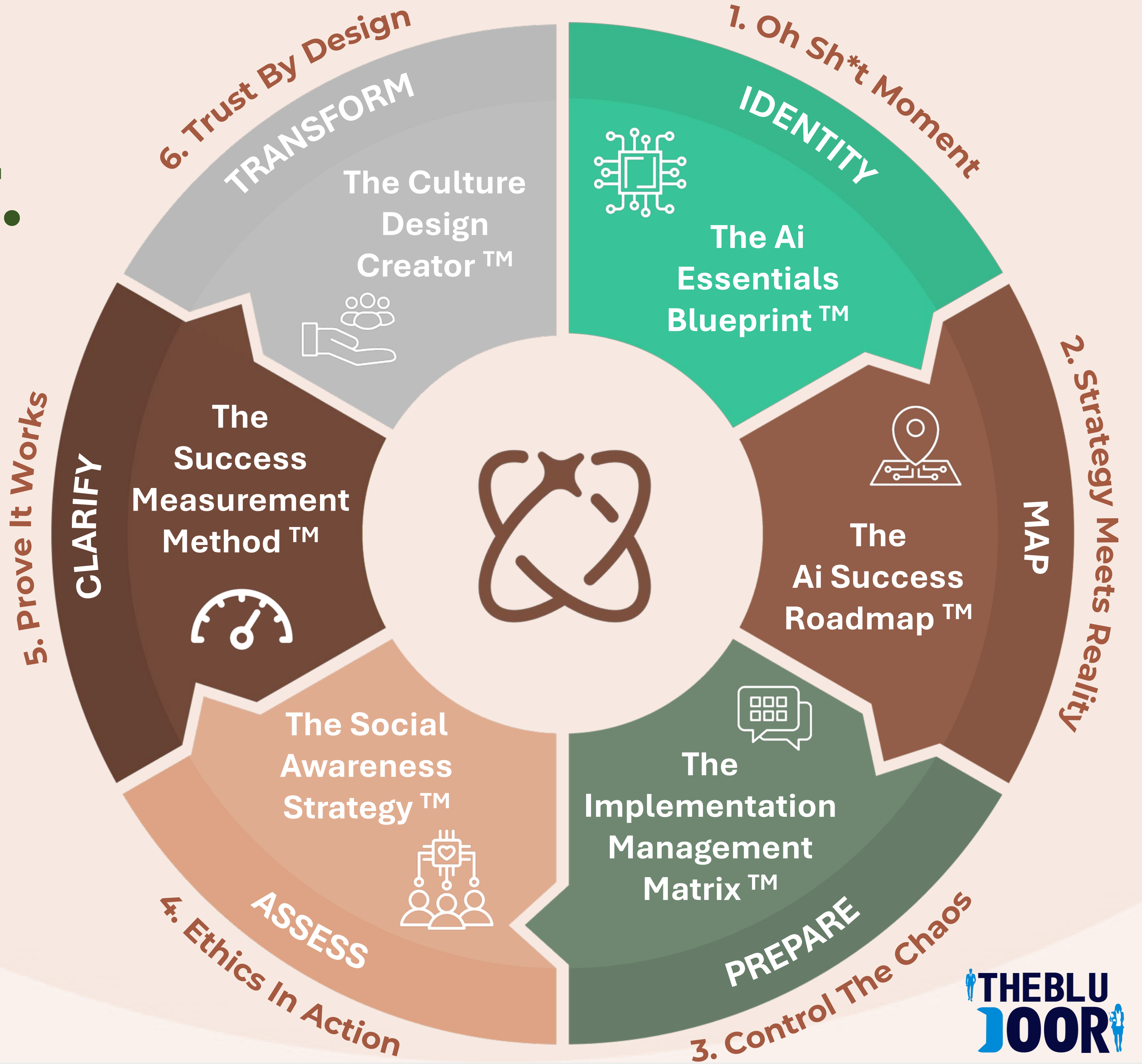
The Ai I.M.P.A.C.T. Accelerator



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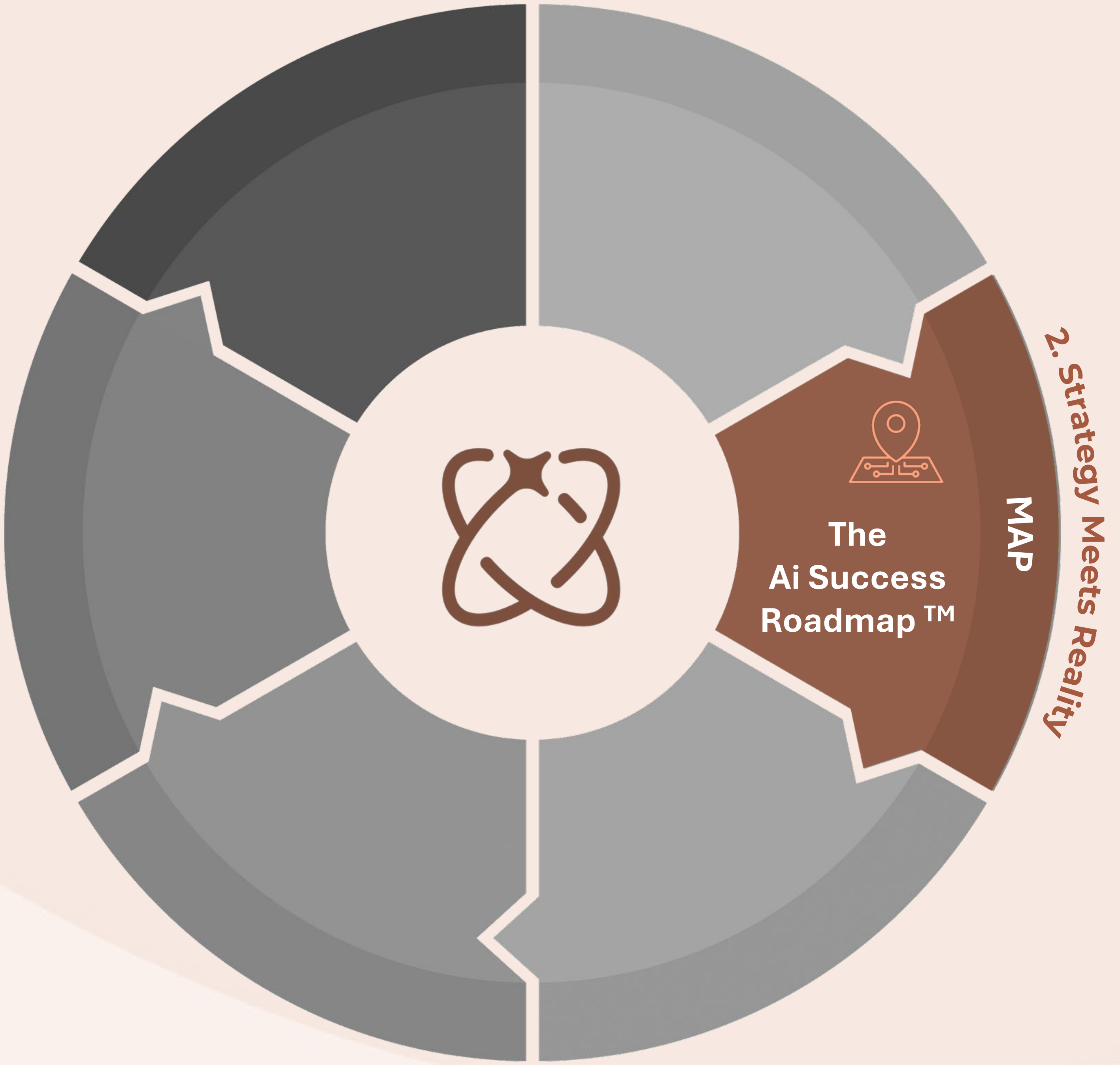
2. MAP

Auxillias

The Ai I.M.P.A.C.T. Accelerator



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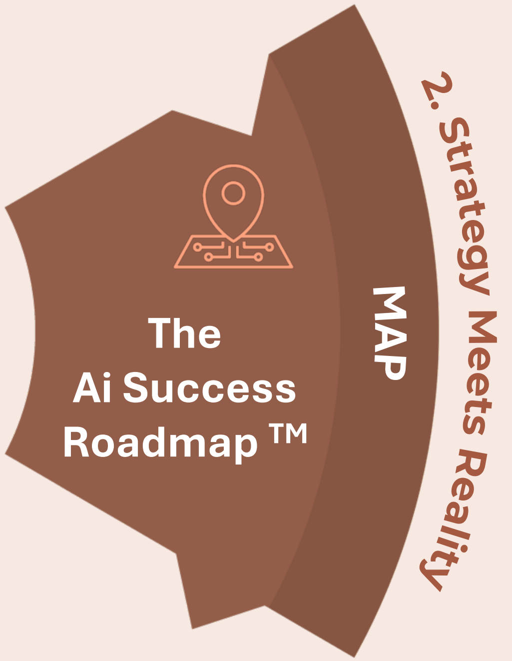
M — Measure where you are

A — Align to what matters

P — Pilot something real



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Think Big, Start Small, Iterate Often

CPMAI

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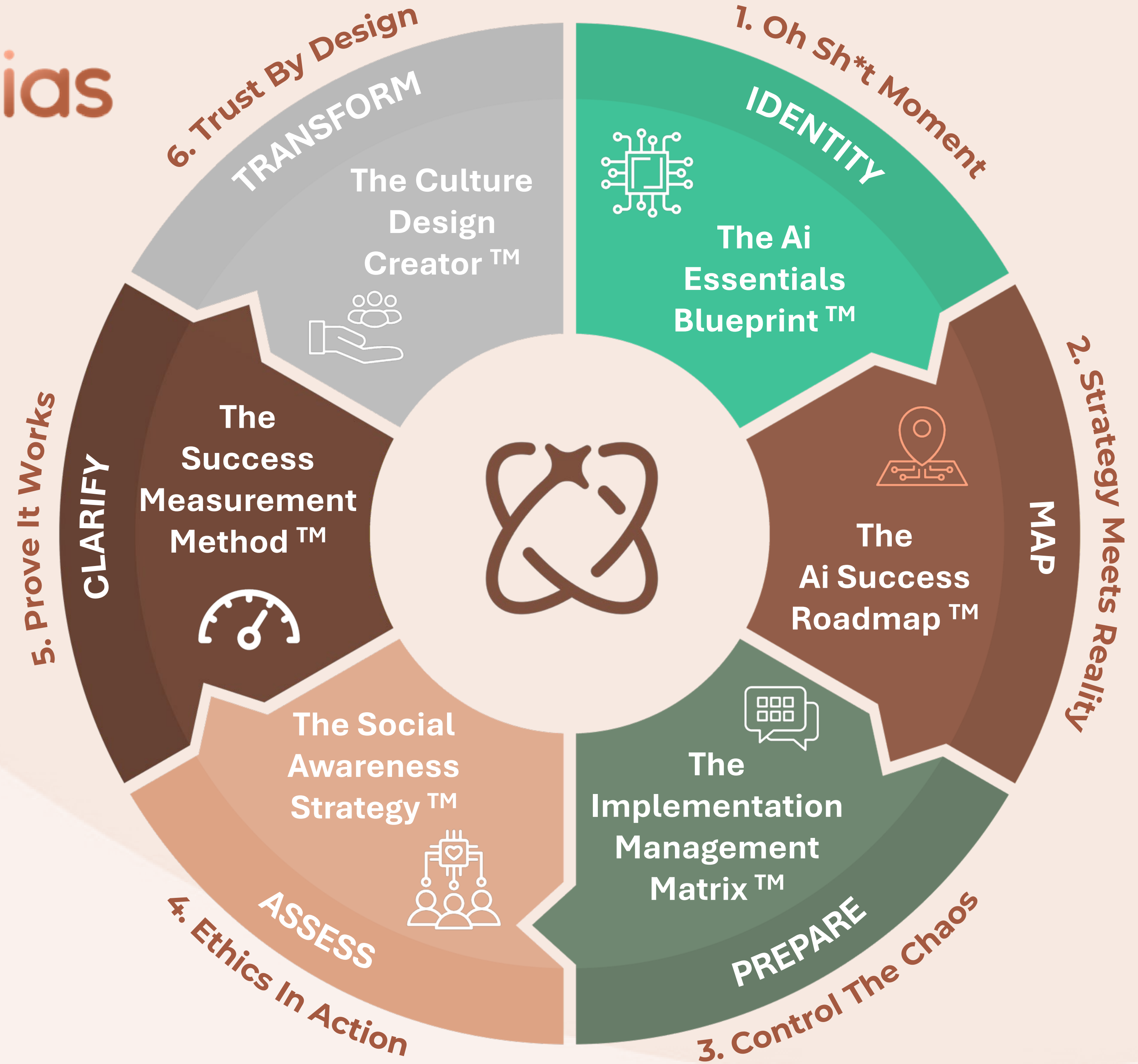

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Any Questions?

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Regulatory Horizon Scan

HMT

- **Review of the Consumer Credit Act**

  Phase 1 underway. Phase 2 to follow later in the year.

- **Response on BNPL**

- **National Financial Inclusion Strategy**

  Access to credit committee

FCA

- **BNPL consultation to come**
  (legislation laid May, FCA responsible for regulation from mid-2026)

- **FCA statement on next steps for motor finance redress**
  (within six weeks of the Supreme Court decision)

- **Product Sales Data reporting begins**
  (along with other changes to regulatory reporting)

- **Review of FCA requirements following the introduction of the Consumer Duty**
  Feedback Statement and action plan expected in Q3

FOS

- **Review of FOS underway by the Economic Secretary**
  (Minister responsible for Ombudsman)

- **Review of mass redress system**
  (in conjunction with the FCA) – consultation on any proposed changes in H2 2025

- **Policy Statement on compensation interest rate**
  Decision expected in September

OTHER

- **Credit Information**

  Initial Consultation Paper on FCA requirements planned for 2025

- **Parliamentary engagement**

Jason Wassell
Chief Executive
CCTA

Between the Lines

What we are hearing from discussions with regulators and the government

CONSUMER CREDIT TRADE ASSOCIATION

1. An opportunity for change

- The new Government wants to see progress
- Can’t tax our way out
- HMT has always been interested in growth, but now with increased focus

2. The tone is changing at the FCA

- More interested in a growing market
- How can we help?
- Don't think of the FCA as one team

3. The FOS is under pressure to change

- Chief Ombudsman replaced
- Continue moving towards more specialised teams
- Tackling CMC issue?