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FCA Urges Firms to Fight Financial Crime with Technology

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Introduction

According to Megan Butler, Executive Director of Supervision at the UK Financial Conduct Authority (**FCA**), financial crime is big business; the estimated annual cost of fraud is £190 billion. In Butler's view, although developing technology can be an 'enabler' of financial crime, those same systems can be harnessed as 'game changers' in combatting fraud and money laundering.

Need for collaboration

Butler's view is that financial institutions and the FCA need to collaborate to adapt to the changing criminal climate – the FCA are seeking to achieve that collaboration through three initiatives: (i) they have set up a regulatory sandbox, an environment in which businesses can test their new regulatory technology in a live environment, (ii) the FCA has established the global financial innovation network (**GFIN**) as a forum for regulators and firms across 38 jurisdictions to ensure there is a joined-up approach to tackling common challenges and policy questions and (iii) the FCA hosts events bringing together market participants to develop technology, known as "TechSprints". The FCA has also taken an innovative approach to their own work, including, trialling methods of automating how they handle large volumes of unstructured information and the establishment of an Analytics Centre of Excellence, an internal initiative staffed by technology and data science experts.

Conclusion

The FCA believe experimentation with new technologies will bring about new ideas and new ways of tackling the challenges faced by regulators and firms alike, as evidenced by initiatives such as the regulatory sandbox and the GFIN. Whilst technology is frequently an enabler of crime, Butler states in a recent speech on 23 October, 'it may be the greatest tool we have, giving us the chance of finding that needle in the haystack'.

- **Andrew Wingfield**
  Partner