

AI IN PAYMENTS: Harnessing Technology for Enhanced Security and Efficiency

The payments industry is at the forefront of safely deploying new technologies—including artificial intelligence (AI) and machine learning. These technologies improve the consumer experience by making payments more secure and frictionless. Over the past decade, the payments industry has developed and deployed AI tools to make payments faster and more secure, unlocking numerous benefits for consumers, businesses, and the payments industry alike.

New innovations within AI, such as use of large language models and transformer-based image generators have raised important policy questions, and ETA encourages policymakers to review how the payments industry has used AI over the past decade to better understand the scope, scale, and impact that these tools have in fostering a stronger and more secure payments ecosystem. To the extent new laws and regulations are needed to keep pace with innovation, ETA suggests policymakers consider how the payments industry has leveraged AI responsibly while undergoing robust oversight from federal and state policymakers and regulators. New laws and regulations should also complement and clarify, rather than duplicate or conflict with the efficacy of existing rules that the payment industry adheres to. This requires recognizing how AI is currently being utilized in payments today and acknowledging the rapid advancements occurring in this field.

ETA Policy Recommendations

1. **Follow a Principles-based Approach.** To encourage innovation, maintain national economic competitiveness, and combat financial crimes, it is crucial for policymakers to promote rules that leverage existing policies, are technology-agnostic, are principles- and risk-based, and account for industry-led standards -- that strike a balance in promoting innovation, protecting consumers and businesses, advancing U.S. economic and national security interests, and ensuring the continued development of secure and inclusive financial services.
2. **Align Stakeholders through a Common Framework of Understanding.** It is crucial for policymakers to work with industry experts and stakeholders to prioritize efforts that can build a common framework of understanding amongst key ecosystem participants. For example, policymakers should establish common definitions and understanding of key AI terms to ensure clarity and consistency of AI technologies, and prioritize standards, guidance, and regtech developments to support necessary controls like transparency and security.
3. **Enhance, Don't Replace, Human Decision-making with AI.** As with all processes, and especially valuable in use of emerging technologies, ETA supports explainability in the use of AI and any resulting decision-making and operationality. ETA promotes keeping humans in the loop to provide oversight monitor processes, and evaluate and reach key decisions. Humans can provide judgment and expertise to help improve the accuracy of the decisions made by systems driven by AI technology.

For years, payment companies have integrated AI tools for consumer benefits, such as the following use cases:

- **Protecting consumers from financial crimes:** AI and machine learning are integral to maintaining the safety and security of payment systems, which include consumer information and resources. AI's ability to work faster, identify more patterns, and respond more quickly than humans is an asset in protecting consumers

from financial crimes. For example, payments companies use their technological capabilities and unique industry insights to detect, track, and stem the flow of fraud schemes. As the volume and complexity of fraud in transactions have risen, the importance of identifying, preventing, and deterring fraud in payments has likewise increased. Given the rise of criminals exploiting new AI technologies such as deepfakes to commit more complex fraud, financial institutions will increasingly rely on AI capabilities to enable timely detection and combating increasingly sophisticated fraud schemes.

- **Streamlining payments:** AI optimizes the efficiency of payment processing. By automating workflows and employing image recognition to enable digital customer services [like remote check cashing and identity verification?] AI facilitates straight-through processing for invoice payments, enhancing speed and operational efficiency.
- **Assisting with regulatory compliance:** AI integration into payments compliance enables companies to efficiently screen transactions and identify potential risks in real-time, enhancing assessment and monitoring to reduce false alerts and better mitigate risks while saving time and resources. AI-enabled risk detection and monitoring streamlines compliance efforts, allowing for swift analyst escalation and response to potential compliance violations and focusing human oversight and intervention to make decisions on the highest-risk activities.
- **Improving customer service:** AI-powered chatbots and virtual assistants enhance customer service by handling routine inquiries and facilitating smooth transitions to human agents for complex issues, ensuring a seamless customer experience.
- **Supporting lending decisions:** Ethical AI use is central to underwriting, adhering to the principles of explainability, privacy, risk management, and fairness within existing legal frameworks, such as the Equal Credit Opportunity Act, which governs both traditional and AI-assisted lending practices. This robust framework is further strengthened through rigorous internal and external reviews of AI applications in lending to ensure responsible, ethical, and compliant decision-making processes. Notably, for ETA members, generative AI is largely not employed in this critical area. This multilayered approach ensures that AI in underwriting is responsible, ethical, and compliant with relevant regulations, contributing to a fair and trustworthy lending process.