

October 18, 2023

The Honorable Gus Bilirakis  
Chairman  
Subcommittee on Innovation,  
Data, and Commerce  
Committee on Energy & Commerce  
Washington, DC 20515

The Honorable Jan Schakowsky  
Ranking Member  
Subcommittee on Innovation,  
Data, and Commerce  
Committee on Energy & Commerce  
Washington, DC 20515

Dear Chairman Bilirakis and Ranking Member Schakowsky:

On behalf of the Electronic Transactions Association (ETA), we appreciate the opportunity to submit this statement for the record before the Subcommittee's hearing, "Safeguarding Data and Innovation: Building the Foundation for the Use of Artificial Intelligence."

ETA is the world's leading advocacy and trade association for the payments industry. Our membership includes a diverse group of payments and fintech companies, ranging from established players to emerging disruptors in the U.S and over a dozen countries worldwide. ETA members process roughly \$44 trillion in annual purchases globally and are committed to enabling commerce by delivering innovative payment solutions to merchants and consumers.

The payments industry is at the forefront of deploying new technologies in a safe manner to improve consumers' experiences by making payments more secure and frictionless. Over the past decades, the payments industry has developed and deployed artificial intelligence (AI) and machine learning tools that have made payments faster, more secure, and has unlocked numerous benefits for the payment industry and consumers alike.

While there is an increasing focus on emerging AI tools, such as large language models and transformer-based image generators, policymakers must take a closer look at how AI is employed in the payments industry. This examination should aim to understand the extent, reach, and consequences of these technologies in establishing a more resilient and secure financial ecosystem. Notably, the payments industry is already subject to robust oversight by both federal and state regulatory bodies. Any new legislation or regulations should complement, rather than duplicate, the existing rules by which the payments industry is bound by. This entails recognizing the present-day utilization of AI in payments and the indispensable role that extant regulations play, irrespective of the technological advances witnessed in the payments sector over the last two decades.

In order to foster innovation and maintain the national economic edge, it is vital that policymakers avoid the imposition of rigid regulations that solely cater to current AI mechanisms. Instead, the policies put forth should be agnostic to technology, grounded in principles, and steered by industry-led standards, all of which should strike a delicate balance between promoting innovation, safeguarding consumers, advancing U.S. economic and national security interests, and facilitating the continued growth of secure and all-encompassing financial services. Additionally, ETA believes that policymakers should collaborate with industry experts

and stakeholders to establish a shared understanding of key AI terminology to ensure clarity and consistency in the realm of AI technologies.

For several years, payment companies have leveraged AI tools to deliver numerous benefits to consumers:

- **Protecting consumers from fraud:** AI and related tools are integral in ensuring the security and integrity of payment systems, including the safeguarding of consumer information and assets. AI's ability to operate swiftly, detect patterns comprehensively, and respond promptly surpasses human capability, significantly aiding in the prevention of fraud. For instance, payment companies utilize their technological proficiency and in-depth industry knowledge to monitor and curtail fraudulent activities. As the volume and sophistication of fraudulent transactions rise, the significance of detecting, preventing, and deterring fraud in payments increases in parallel.
- **Streamlining payments:** AI enhances the speed and efficiency of payments. In a simple example, when it comes to settling invoices, AI streamlines the process through automated workflows, decision support, and image recognition, facilitating swift payment processing.
- **Assisting with regulatory compliance:** The incorporation of AI in payments has empowered companies to bolster their compliance mechanisms. AI-powered tools allow financial institutions to review transaction screening and review procedures more efficiently, enabling the real-time identification of suspicious transactions and potential risks, all while reducing false alarms and saving valuable time and resources. These tools enable compliance officers to receive real-time alerts, permitting swift responses to potential compliance breaches.
- **Improving customer service:** AI has been deployed to create chatbots and virtual assistants that provide basic customer service functions to consumers. AI improves customer service by enhancing the human element, rather than replacing it. While AI can handle straightforward inquiries such as account balances and transaction details, it complements human agents by expediting the routing of complex queries and issues to live representatives.

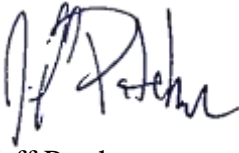
As policymakers deliberate over new laws and regulations, it is critical to recognize that AI systems employed in payments are meticulously designed to conform to prevailing federal and state laws, regulatory frameworks issued by various agencies, and industry standards. These encompass data protection regulations, anti-money laundering requirements, and specific guidelines pertaining to payment processing, fraud prevention, and consumer data privacy.

For instance, the utilization of AI has led payment companies to factor these technologies into their governance frameworks, with many following the Artificial Intelligence Risk Management Framework as outlined by NIST, and the Model Risk Management guidelines established by the OCC.

The integration of AI technologies in the payments sector has ushered in numerous advantages and possibilities for both the industry and consumers. While recent focus has centered on specific AI applications, policymakers must exercise caution when it comes to AI regulation, acknowledging potential unintended consequences and the rapid evolution of this field. Rather than tethering regulations solely to existing AI mechanisms, a principles-based, industry-driven approach that fosters innovation, consumer protection, and secure financial services is the way forward. Flexibility and a forward-looking perspective are essential to navigating the ever-evolving landscape of AI technology within the payments industry.

We appreciate the opportunity to submit this letter for the record and the Subcommittee's leadership on this topic. If you have any questions, please contact me or ETA's Executive Vice President, Scott Talbott at [stalbott@electran.org](mailto:stalbott@electran.org).

Sincerely,



Jeff Patchen  
Director of Government Affairs  
Electronic Transactions Association