the payments association

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The Payments Association's Guide to Artificial Intelligence

Use Case: Compliance

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Read The Payment Association's Using AI Intelligently Guidebook **here**

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What is AI and what are the different types?

AI is used to cover a broad range. It is a blanket term, used to differentiate intelligence that comes from a machine rather than a human and can be very simple in terms of applying rules. One step beyond this are machines and deep learning. They use multi-layered networks to deal with large volumes of data, incorporate clear requirements and draw conclusions.

There is also a feedback loop to ensure there is continuous improvement to all three elements. It is important to note that human intervention, at all three of these stages is required to make sure that the evolution (tweaking etc) is as required. There is then a natural language process and semantic AI that can be used on text data instead of numerical data and bring order to unstructured data. The principles of use are the same; decide where it needs to go and what needs to be done. Again, human oversight is very important.

Why is AI so suited to compliance management?

We are a 'top of the funnel' RegTech company. Firstly, we need to understand the regulation and how it is applicable to a particular business area. Then we need to find out how it should be implemented and map it onto internal infrastructures and processes. Essentially, we need to be able to read the entire regulatory internet and apply it where relevant. We use customised crawlers on websites and then machine learning and semantic AI to understand what we have collected and how to apply it in practice, classification, language, and translation to come out with something usable at the other end.

The volume, velocity and complexity of regulation along with the pace of change since the crisis of 2008, means that AI is pretty much a necessity to stay on top of everything; AI is unavoidable.

Within RegTech as a whole, the need is firstly to look at the actual business requirement, rather than having AI for the sake of it. AI supports the need to understand and meet their regulatory obligations at a high level. There are many different subcategories; fraud, credit scoring, risk. All are component parts, but they all rely on a top-level understanding of the requirements and where they touch the business. The downstream applications cannot function effectively unless you have top-level understanding.

What about within payments specifically?

Payments are ripe for disruption due to there being large, voluminous data flows that are mostly numerical. There are lots of repeated patterns and recurring patterns, which are ripe for AI monitoring and interpretation.

The two big areas for AI within payments are fraud and suspicious payments. Both of which have clear patterns. Deviations, in terms of expected behaviour can be identified.

What is uptake like and why?

It's slow but steady. The question is, will regulatory acceptance within banking continue to underpin the rate of adoption and expansion of scope with AI technology?

Barriers to adoption – how best to do this?

Adoption of AI successfully relies on the C level mindset in an organisation and being aware of what AI can add in terms of realising priorities and goals. There needs to be a proper definition of exactly how AI will act as a support, and it needs to be embraced.

The data itself is the most important aspect as it needs to be integrated, pulled from various sources then cleaned, structured and aggregated for the AI to work on. Attention is also needed as to whether there is enough data and how best to act if more is required to make for best quality decisioning.

There also needs to be talent within companies to ensure that the AI can be implemented, delivered, and evolved. It needs to be designed, deployed and maintained. Models shift, so there needs to be oversight and constant updating and validation of what the Ai is doing and why and how. In particular, errors and legal issues, as well as potential bias needs to be dealt with. There is a massive skills gap in this regard and people need to understand that DevOps are not the same as MI Ops!

The change also needs to be well managed so that employees realise they are going to be doing more interesting, skilled jobs rather than being replaced. This is very much about repositioning jobs and not replacing them.

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Why is it well worth doing/ drivers?

The momentum is such that companies need to finely balance the cost of doing AI and the benefits, versus the cost of not doing it. Standards and expectations have changed and anything that does not satisfy the end customer is costly in terms of not being able to keep that customer. The best way to look at this is the vast benefits that it brings and embrace that, as well as being mindful of the cost of not doing it!

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