Developing and monitoring AI-based payment fraud models

As payment fraud schemes become more complex, and as regulatory agencies share new standards for model risk management, many organizations are building, expanding, and assessing their fraud detection models.

5 insights you should know

1. Crisis and uncertainty can create opportunities to camouflage malicious intent; therefore, more advanced and adaptable fraud detection techniques may be required to identify emerging schemes.

2. New financial products may require advanced fraud mitigation — without a blueprint of known fraudulent behavior—surrounding support from third-party vendors.

3. New technologies bring new risks to explainability and integration.

4. Increasing regulatory interest in AI-driven models means institutions should be prepared for scrutiny.

5. Adapting to talent constraints. To keep pace with AI development, model development and model risk management teams need to have the AI-savvy talent, as well as those familiar with fraud risks and schemes, in order to support the adaptability and scalability of fraud model programs.

5 actions you can take

1. Integrate risk signals across known fraud, cybersecurity and AML events to identify emerging schemes.

2. Leverage vendor models, but manage risks by enhancing your third-party risk management policies.


4. Develop frameworks for transparency and regulatory readiness.

5. Coordinate teams involved in a fraud model governance framework.

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