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AILiveTesting@fca.org.uk (by email)

16th June 2025

Dear Sir/madam

Re: EMA response to Proposal for AI Live Testing

The EMA is the EU trade body representing electronic money issuers and alternative payment service providers. Our members include leading payments and e-commerce businesses worldwide, providing online payments, card-based products, electronic vouchers, and mobile payment instruments. Most members operate across the EU, most frequently on a cross-border basis. A list of current EMA members is provided at the end of this document.

I would be grateful for your consideration of our comments and proposals.

Yours faithfully,

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

EMA response

Primary blockers to going live

Question 1: What are the primary blockers that you encounter prior to live market deployment of AI models? Are these related to technical issues, AI models, governance, regulatory or other? Please provide details.

There are a number of practical and regulatory barriers that delay or complicate the safe deployment of AI models into live financial services environments:

1. **Technical and Integration Challenges**

Models must be scalable and compatible with complex legacy systems. Ensuring real-time processing and resilience across varying use cases is especially important where models must integrate seamlessly with critical infrastructure.

2. **Data Access and Governance Complexity**

Accessing quality datasets for model training—especially those that are representative and free from embedded bias—is a recurring challenge for firms. Firms are committed to meeting data protection and governance requirements, but the operational processes involved, especially when engaging with third-party data or models, can be complex and resource-intensive. Where firms rely on externally developed AI models, it may not always be possible to confirm how training data was sourced or under which lawful basis (e.g. consent, legitimate interest). This creates an additional layer of due diligence for deploying firms, which can delay or even prevent the live deployment of AI models. Increased transparency from model providers would support firms in maintaining high standards of compliance and assurance.

3. **Model Explainability:**

Many models, particularly those based on deep learning or LLM architectures, exhibit 'black box' characteristics that make it difficult to trace or justify their outputs. This is distinct from transparency towards the user; instead the concern here lies in whether firms can sufficiently interrogate or validate the decision logic underpinning model outputs. This becomes especially acute in cases of hallucination, spurious correlations, or other unexpected behaviours, where the model's reasoning cannot easily be reverse-engineered. If a firm cannot account for why a model made a specific decision, they may delay go-live until stronger documentation, testing, or assurance measures are in place. This is where the FCA's live testing proposal could be valuable for firms, by clarifying what levels of explanation are suitable for different AI systems.

4. **Regulatory Uncertainty and Divergence**

While regulatory uncertainty is a common compliance concern, it has a broader impact on the UK's innovation landscape. Misalignment between UK and EU AI-related regimes—such as the Digital Operational Resilience Act (DORA), the AI Act, and evolving product liability rules— not only increases compliance costs for cross-border firms; it also creates a chilling effect across the sector, slowing down investment, experimentation, and adoption of new technologies. Firms require greater clarity on what level of pre-deployment testing and evidence is expected by the FCA, to scale innovation responsibly, while preserving consumer and market safeguards.

5. **Testing Framework Expectations**

There is a growing expectation, both from regulators and within industry, that firms establish structured testing frameworks comprising a clear AI testing policy, a documented testing plan, and robust testing evidence. Many current challenges stem from uncertainty. Uncertainty remains on what constitutes "sufficient" testing under supervisory expectations, especially where the AI is not fully explainable. Firms are also unsure on what constitutes sufficient oversight, documentation, or control when dealing with complex or third-party AI systems. A structured, collaborative testing environment could provide clarity in these grey areas, enabling firms to align their internal frameworks more confidently with regulatory expectations. Firms would welcome further guidance in this area.

FCA AI Live Testing proposal
Question 2: In your opinion, would the FCA proposal for AI Live Testing address potential AI deployment challenges?

Are there particular areas we should focus on as part of AI Live Testing? This could be either certain types of AI models, AI evaluation techniques, outcome assessment strategies or particular financial services sectors.

We welcome the FCA's proposal to establish a live testing environment as a constructive and timely intervention to support the safe and responsible deployment of AI in financial services. Live testing, if well-designed, has the potential to address several of the current barriers to deployment by providing firms with an opportunity to evidence their approach under regulatory observation, and by clarifying supervisory expectations.

We would support a focus on output-driven validation; specifically, the development of robust test cases that meaningfully assess model behaviour across a wide range of realistic scenarios. This kind of testing (anchored in defined outcomes and decision pathways) is essential to build confidence in an AI system's reliability. We would however caution against framing testing as a direct tool to assess or manage impacts on the UK financial market as a whole. While better individual testing may improve

outcomes across the system over time, the connection is indirect. The primary value of output-driven validation is in raising assurance standards at the firm level, which collectively may strengthen systemic integrity.

Members also value the FCA's recognition of the need for sector-specific testing. Use cases, risk profiles, and regulatory obligations vary widely across financial services, and a one-size-fits-all approach is unlikely to produce meaningful insights. We would encourage the FCA to consider running model pilots within targeted domains such as credit scoring, anti-fraud systems, or customer service automation, where the risk factors are clearer and outcomes easier to define. This approach would also allow testing standards to mature in areas where AI is already actively deployed.

Is there more we could do?

As the FCA develops this initiative, we recommend introducing clear participation guidelines. Firms need early clarity on the criteria for joining the live testing programme, the scope of testing permitted, and expectations around documentation, controls, and reporting.

We also suggest that structured feedback mechanisms be built into the process. Firms engaging in the live testing environment will benefit from regulator feedback on their testing approach, risk controls, and model outputs; not to validate commercial viability, but to identify blind spots and strengthen compliance and assurance processes.

Finally, we would note that post-testing engagement, rather than post-testing support, may be a more realistic framing. While the FCA is not expected to assist firms in commercial scaling, it could play a helpful role in sharing anonymised findings or producing thematic summaries from pilot results. This would ensure that learnings extend beyond the firms directly involved and support wider industry alignment around best practices.

Other Feedback

Question 3: Is there any other feedback you would like to share with us?

Members strongly favour a use-case-based approach to live testing. Rather than testing AI in the abstract, they would like to see live testing environments tailored to operational domains such as biometric identity verification, fraud monitoring, onboarding, and customer interaction via agentic AI. These are the areas where AI is already being piloted or deployed—and where testing under regulatory observation would offer the greatest practical value.

While firms are not expecting commercial support, many have expressed interest in whether the live testing initiative could help surface practical tools or templates—such as due diligence checklists or model risk frameworks—that emerge from common testing practices. They are particularly interested in understanding what kinds of testing plans, controls, and documentation the FCA would regard as proportionate or effective.

The live testing proposal could be a valuable opportunity to provide certainty on role classification, such as understanding when a firm is deemed a "provider" versus a "deployer," especially in contexts involving third-party or general-purpose AI systems. This regulatory ambiguity directly affects how firms assess and evidence compliance responsibilities, particularly when control over training data or model architecture is limited.

Members of the EMA, as of June 2025

Airbnb Inc
Aircash
Airwallex (UK) Limited
Amazon
Ambr
American Express
Banked
Benjamin Finance Ltd.
Bitstamp
Blackhawk Network EMEA Limited
Boku Inc
Booking Holdings Financial Services
International Limited
BVNK
Cardaq Ltd
CashFlows
Circle
Coinbase
Crypto.com
Currenxie Technologies Limited
Curve UK LTD
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