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An Overview of Credit Card Fraud Detection Techniques

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Abstract
Credit card fraud is the first thing that comes to mind when the word fraud is uttered. The volume of credit card transactions has increased significantly in recent years, along with a corresponding spike in credit card fraud. Monitoring users' and customers' spending patterns helps detect fraud and stop bad behavior. There is a rising rate of credit card fraud as they become the most widely used payment mechanism for both online and offline transactions. The goal of fraud detection is to identify fraudulent conduct as soon as it is possible and to document it. The utilization of charge cards is normal in present day culture. The multimillion-dollar industry of extortion is growing each. Extortion influences the world economy fundamentally. Different contemporary strategies, for example, information mining, AI, fluffy rationale, hereditary programming, and man-made consciousness, have been produced for identifying charge card extortion. This study tells the best way to successfully consolidate information mining methods to keep a low or high misleading problem rate while accomplishing high extortion inclusion.
Keywords: Fraud detection, Data Mining, Neural Networks, Machine Learning, Clustering approaches, Electronic commerce, Credit card fraud, spending patterns, Credit card, fraud detection techniques, and online banking

1. Introduction

Getting products or services and money through dubious means is the definition of fraud. Fraud describes events that have illicit motives, which are usually hard to pin down. Although they are not the only ones, credit cards are among the most frequently targeted by fraud. The term "credit card fraud" encompasses a wide range of crimes, including theft and fraud committed during a transaction by utilizing a credit card or other comparable payment method as a fraudulent source of funds. In the Visa business, worries about charge card robbery have developed. Since it tends to be hard to distinguish Visa robbery utilizing customary techniques, scholarly foundations and business bunches are finding that creating charge card misrepresentation recognition models is turning out to be increasingly significant. What's more, the capability of extortion has changed altogether over the most recent couple of a long time in accordance with propels in innovation. One of the greatest dangers to organizations and business tasks these days is charge card robbery. The simplest definition of credit card fraud is "when someone uses another person's credit card for personal use without the card owner's or issuer's knowledge of the transaction." Credit card fraud and related financial risks can be decreased with the use of specific systems/models, techniques, and preventative measures. There is a tremendous amount of credit card account activity accumulated by banks and credit card firms.

Many users are given plastic credit cards to use as a form of payment. Based on their commitments, cardholders can make purchases of goods and services. Although the number of Chinese credit card users is rapidly rising, very few of them use their cards to make secure, reliable payments for regular purchases. The explanation is that people who use credit cards are too insecure to have faith in the payment system. To ensure safe Mastercard use, secure credit administrations from banks and the development of e-business need a reliable misrepresentation identification framework. One technique for diminishing Visa extortion rates is misrepresentation recognition in view of the examination of cardholders' ongoing exchange information, or spending conduct. At the point when criminals outflank misrepresentation avoidance frameworks and begin false exchanges, extortion location frameworks are enacted. With the advancement of data innovation and further developed correspondence methods, extortion is turning out to be more boundless internationally and making significant misfortunes due misrepresentation.

Basic burglary, fake cards, Never Got Issue (NRI), application extortion, and on the web/electronic misrepresentation (when the cardholder is absent) are a portion of the different ways that Visa misrepresentation can happen. Despite the fact that Visa extortion is a typical issue that must be tended to, it is likewise very hard to distinguish. The exchange sum, shipper classification code (MCC), acquirer number, date and time, and dealer address are among the couple of snippets of data remembered for the exchanges.

A variety of knowledge discovery techniques, including case-based reasoning, neural networks, and decision trees, have been widely used to create numerous fraud detection models and systems. In order to identify fraud tendencies, these tactics frequently need a sufficient number of regular and fraudulent transactions. Nonetheless, each specific bank has a relatively low ratio of fraudulent to lawful transactions.

2. Literature Review

2.1 Types of Fraud

This article discusses various scams, including credit card fraud, telecommunication fraud, computer intrusions, bankruptcy fraud, theft/counterfeit fraud, application fraud, and behavioral fraud.

2.2 Credit Card Fraud

Credit card fraud is classified into two types: offline fraud and online fraud.

2.2.1 Offline fraud

Offline fraud is conducted by utilizing a stolen physical card at a call center or another location.

2.2.2 On-line fraud:

Online fraud occurs via the internet, phone, shopping, online, or in the absence of the cardholder.

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2.3 Telecommunication Fraud

The use of telecommunications services to commit other forms of fraud is known as telecommunication fraud. Victims include companies, consumers, and communication service providers. To predict management fraud, Hansen, McDonald, Messier, and Bell used an advanced generalized response model. The "probit and logit" techniques are incorporated into the model. An overview of credit cards and their various varieties opens this article, which is then followed by relevant research, potential tactics, and models for distinguishing between legitimate and fraudulent transactions.

2.4 Computer Intrusion

The definition of intrusion is "possibility of unauthorized attempt to access information, manipulate information purposefully," and it is defined as the act of entering without a warrant or invitation. Both outsiders (or hackers) and insiders with insider knowledge of the system architecture can be considered intruders from any setting. There are three categories of computer intrusions: have interruptions, network interruptions, and abuse interruptions. Misuse interruptions inspect the assembled data and difference it with broad vaults of assault marks. Inspected are network breaks and individual bundles traveling through an organization. Potential security weaknesses are tracked down by latent intrusions, which also record the data and sound an alarm.

2.5 Bankruptcy Fraud

In this piece, bankruptcy fraud is discussed. The utilization of a Visa while away is insolvency misrepresentation. One of the most troublesome kinds of extortion to anticipate is chapter 11 misrepresentation. Certain methodologies or techniques could be useful in forestalling misrepresentation. The bank will send its clients/clients a solicitation for installment. The clients will, consequently, be perceived as being in private chapter 11 and unfit to get their undesirable obligations back. The misfortunes will be exclusively borne by the bank. Pre-checking with the credit agency to track down data about the earlier financial history of its clients' models to expect individual chapter 11 among charge card holders is a substitute system to stop insolvency extortion.

2.6 Theft Fraud/Counterfeit Fraud

This section will examine the relationship between counterfeit fraud and stealing. The use of another person's card is known as theft fraud. The bank will move to identify the thief as soon as it receives input from the owner and notifies the bank. Similar to this, credit card fraud occurs when a card is used remotely and only the credit card number is needed. First, use the codes and card number you copied on several websites that don't need real cards or a signature. Consumers are informed about the designated credit card, and the card is blocked if they don't reply within a certain amount of time.

2.7 Application Fraud

Application misrepresentation happens when somebody utilizes bogus data to apply for a charge card. To find application extortion, two interesting conditions should be found. Applications from various individuals with similar subtleties are alluded to as character fraudsters, while applications from similar individual with similar information are alluded to as copies. Application extortion, which is a "exhibit of character wrongdoing, happens when application form(s) contain conceivable and engineered (personality misrepresentation), or genuine yet additionally taken personality data (fraud)." most of banks expect candidates to finish an application to be considered for a Visa. Except for social areas, the application structure is fundamental. Also, the bank would require specific contact subtleties such an email address, portable number, and landline number. The secret word will be founded on classified data.

2.8 Behavioral fraud

Behavioral fraud occurs when sales are made on a "cardholder present" basis and valid card data are obtained fraudulently.

3. Credit Card Fraud Detection

In this section, we give various conceptual perspectives on credit cards, difficulties, and real-world challenges.

3.1 Concepts

3.1.1 Credit card

One way to sell goods or services without having cash on hand is by using a credit card. A credit card is a straightforward method of giving a customer automatic credit. Almost all credit cards in use today have an identity number, which expedites purchases.

3.1.2 Fraud

A willful lie done for one's own gain or to hurt another user or person is considered fraudulent. Depending on the nation, fraud has different legal definitions. Fraud is a crime as well as a civil violation. One common objective of fraud is to defraud individuals or organizations of money.

3.2 Credit Card Fraud

The United States has a low fraud rate due to the volume of credit card transactions it conducts. Among high-risk countries where credit card theft is a concern, Indonesia comes in second place with an 18.3% fraud rate, closely behind Ukraine's startling 19% fraud rate. Turkey (9%), Malaysia (5.9%), and Yugoslavia (17.8%) are the other nations. Credit card transactions can be carried out by authorized users by inputting details such the credit card number, signatures, address of the cardholder, expiration date, etc. The unlawful utilization of a card or card data without the proprietor's information is known as Visa extortion and is a sort of criminal double dealing. Distinguishing Mastercard robbery is incredibly fragile and is seldom uncovered to the general population. Rule-acceptance strategies, choice trees, Backing Vector Machines (SVM), LR, ANNs, and met heuristics such k-implies grouping, transformative calculations, and nearest neighbor calculations are a portion of the misrepresentation recognition devices. Human conduct that involves theft, misrepresentation, deception, cheating, offering false or misleading suggestions, and other similar actions is called fraud. For organizations, it could be expensive to manually check the identities and behaviors of millions of external parties. Without a doubt, each dubious transaction has an immediate overhead cost. Even if the inquiry appears suspicious, it is not profitable if the transaction value is less than the overhead cost.

3.3 Various Techniques for Credit Card Fraud

3.3.1 Neural networks

A neural network is an arrangement of connected nodes that is used to model how the human brain works. Every node is connected to many other nodes in the surrounding layers in a weighted manner. After receiving input from linked nodes, a single node computes output values using a straightforward function and the weights of the connected nodes. You can use neural networks for both unsupervised and supervised learning. The quantity of nodes and hidden levels within each hidden layer is specified by the user. Depending on the application, the output layer of the neural network may consist of one or more nodes. In recent times, several statistical and numerical analytic techniques have been incorporated by neural network researchers into their networks. It is possible to develop nonlinear mapping relations from the input space to the output space from. Without any previous knowledge of potential data principles, neural networks are capable of learning and summarizing the inherent assumptions in data.

The topologies, or architectures, of neural networks are created by layering nodes and joining layers of neurons with altered weighted interconnections. This allows the networks to adapt their behavior to the changing environment and to the outcomes of their ability to evolve from one possible scenario to another. Even though neural networks are widely used for credit card fraud detection, statistical methods are sometimes unusual in real-world research. Neural networks still have a number of drawbacks, though.

- Difficulty in confirming the framework
- Excessive training
- Training efficiency, and so forth

We use a multi-layer neural network, for instance, using the back propagation (BP) technique. By more than once looking at a preparation informational index of tuples A= {a1, a2… … , an} and standing out the organization's forecast from the real realized target esteem, back-spread (BP) learns. To bring down the mean square blunder between the organization's anticipated worth and the genuine objective worth, the loads of each preparing tuple are changed. These progressions are made in reverse, or at least, beginning at the top covered layer and working down to the result layer, B = {b1, b2... bn}, for each secret layer. In this work, the open hubs in the covered up and yield layers are addressed by a sigmoid capability. The quantity of things in the preparation information that are counted somewhere around the learning rate "l" is.

A neural classifier-based solution for technically accessible internet fraud detection. The primary limitation is that information needs to be categorized by account type. Another popular suggestion for fraud detection is neural networks. Likewise, some concepts are FDS and CARD WATCH. Increasing "misdetections" detection efficiency. propagation of erroneous signals backward. Neural network technology can be applied through data mining techniques like "Clementine," which has been used in credit card theft in the past.

However, one kind of fraud detection technology that is employed by the credit card and telecommunications sectors is the Bayesian network. This method produces results that are naturally predictable. The time constraint is a major drawback of this tactic, though. Rule-based expert systems have also been used in instances of credit card theft. However, it doesn't really matter if the statistical methods used satisfy some of the requirements given by the fraud detection system. The number of fraudulent transactions is far lower than the total number of transactions, hence the system will have to deal with skewed data distributions for that number. If not, the skew distribution in the data must be reduced by splitting it into training samples. The system needs to manage data noise and maintain accuracy with real-performing classifiers.

Data purification is the suggested remedy. Since scammers are always coming up with new tactics, the system needs to be flexible and evaluated frequently. Additionally, the system ought to be able to manage fraudulent transactions that seem exactly like real ones. In order to avoid wasting time on unprofitable cases, a cost-profit analysis is also necessary in the fraud detection process. Using credit agency ratings to lower fraud and anticipated losses to support newly issued banks is one proposal. Generic scoring techniques often rely on a sample of past lending activity from numerous lenders. Creditors who believe they would benefit from generic systems are the ones that market them. The systems are often made available for purchase in addition to a base transaction. The majority of credit judgments made by large creditors are influenced by the generic models that are most frequently utilized and accessible through major credit bureaus. These scorecards can be used to both predict when a customer would default and to identify fraud because fraud and default are closely related. A consumer's credit report may contain their credit bureau score, or they may be obtained independently. Models are available from Credit Bureau, and competition is growing. Models are created using generic models, which use data from a single credit bureau. Sample sizes for the data in generic models range from hundreds of thousands to millions of files. Generally speaking, a credit bureau scorecard is transformed into a model by estimating payment behavior using the applicant's unique data. Traditionally, credit bureau ratings have been derived from external data, including age and gender, that has been adjusted to reflect the population. Models are available from Credit Bureau, and competition is growing. Models are created using generic models, which use data from a single credit bureau. Sample sizes for the data in generic models range from hundreds of thousands to millions of files. Generally speaking, a credit bureau scorecard is transformed into a model by estimating payment behavior based on the applicant's unique data. Traditionally, credit bureau ratings have been based on demographically calibrated external data, like age and gender.

4. The Decision Tree

Following the introduction of the concept of a learning system, the decision tree method was developed to handle continuous data. A table of tree forms with lines connecting them to the nodes that are accessible is the decision tree. Every node is either a single leaf node assigned by classification or a branch node that is followed by further nodes. By utilizing this tactical approach of segmenting and addressing issues, a decision tree frequently breaks down a large problem into many smaller ones and addresses the little issues by continuously utilizing the data mining technique to find different kinds of classification information by building a decision tree.

The foundation of the decision tree concept is the ability to precisely construct a decision tree on a small scale. There are numerous benefits to applying the Decision Tree method. First of all, because it is a non-parameter technique that disregards data distribution, it has a high degree of freedom. However, the individual seems to be in good health. It makes sense in close proximity, which is

another reason it's so popular. The idea of a comparability tree utilizing choice tree rationale was then evolved. Edges marked with trait esteems and related hubs marked with quality names that leave a force factor after fulfilling a necessity are alluded to as similitude trees, this recommends the extent of exchanges meeting these prerequisites to all exchanges that are permitted to happen in that particular movement. One of the advantages of the similarity tree approach is its ease of construction, visualization, and understanding. However, the method has many shortcomings, such as the need to examine every transaction separately. But similarity trees have shown promise in developing a decision-tree-based intrusion detection system that uses an inductive decision tree in particular to fight fraud.

4.1 Logistic regression

Statistical models like discriminant analysis, regression analysis, multivariate logistic regression, and so on are becoming more and more important in data mining jobs. When we want to utilize the upsides of a gathering of indicator factors to figure whether a component or result will happen, we can utilize calculated relapse (LR). Despite the fact that it is like a straight relapse model, models with dichotomous ward factors are more qualified for it. Contrasted with highlight examination, strategic relapse coefficients are relevant to a bigger scope of exploration situations and can be utilized to register chances proportions for every one of the model's free factors.

4.2 Genetic Algorithms

It is common to commend algorithms for their predictive power in identifying fraudulent activity. One technique divides credit card transactions into suspicious and non-suspicious groups using logic rules created via genetic programming. This method, however, follows the scoring process. The database in the experiment described in their research has 62 fields and 4,000 transactions. The similarity between the testing, training, and tree samples was calculated. Many different kinds of rules were tested in different fields to achieve this goal. Among these, the most dependable rule is the best one. Their approach may be the most successful means of preventing credit card theft because it has been shown to function with real home insurance data. While other studies employed evaluation based on their prediction rate/True Positive Rate (TPR) and error rate/False Negative Rate (FNR), their research started with a cost model that was evaluated and graded b. It occurred to me to combine many methods in order to improve prediction power. Numerous algorithms are covered in the text, such as probabilistic curves, negative selection techniques, best match algorithms, density selection algorithms, diagnostic algorithms, and diagnostic resolution procedures. Their investigation revealed that neighborhood-based and probabilistic algorithms were suitable classification techniques. These methods could be further enhanced by adding more diagnostic algorithms for determining confidence and relative risk measures, as well as for making decisions in borderline cases.

GANN, which blends genetic algorithms and neural networks, was inspired by nature. The evolutionary algorithm is used by GANN to determine different parameters. The main query is how neural networks and evolutionary algorithms might be combined. There is an encoded neural network in the DNA of the Genetic Algorithm. The GANN approach involves creating certain random individuals. Genetic information is used in the neural network's design to help with parameter string evaluation. With back-propagation training, performance may be easily determined. Few GANN methods choose the optimal network exclusively based on the GA.

The parameters in this case are evaluated and scored according to their performance, and no training sets are required. A useful and widely accepted search heuristic for solving optimization and search problems is the Genetic Algorithm (GA). It mimics the process of natural development. Genetic algorithms (GAs) are a subclass of Evolutionary Algorithms (EAs) that solve optimization problems by using methods like crossover, inheritance, mutation, and selection.

4.3 Clustering Techniques

For behavioral fraud, two clustering techniques have been proposed. Peer group analysis is a method used to find accounts that, at one point in time, exhibit distinct behavior from others when they were previously exhibiting similar behavior. Then, a question mark is placed on these particular accounts. Fraud analysts were then dispatched to look into these kinds of cases. Peer group analysis is based on the idea that an account needs to be alerted if it has been functioning consistently for some time and then continues to behave noticeably differently. To counteract behavioral fraud, two clustering approaches have been proposed. Peer group analysis is a method for figuring out which accounts, after having previously behaved similarly, are now performing differently from others at a certain point in time. Then, a suspicious alert is raised against these particular accounts. Subsequently, fraud analysts were sent to investigate related events. Peer group analysis works on the premise that an account should be alerted if it has been operating consistently for some time and then continues to act considerably differently.

4.4 Outliers Identification

One basic kind of non-standard attention that can be used to identify fraud is an outlier. Significant differences between outliers and other data suggest that they may have originated from a different source. A method of unsupervised learning is used by this model. Unsupervised learning creates a fresh interpretation or representation of the data that has been viewed, improving judgment calls in the future. Unsupervised learning techniques identify alterations in behavior and/or anomalous transactions, rather than requiring prior knowledge of fraudulent and non-fraudulent transactions in a historical database. These methods involve identifying data that depart from the norm by building a baseline distribution to represent typical behavior. However, supervised methods teach models to discriminate between legitimate and fraudulent transactions, enabling new data to be categorized into groups. It is necessary to precisely identify fraud in supervised procedures. Fraudulent transactions in historical databases can only be used to identify previous instances of the same kind of fraud. Unsupervised methods have an advantage over supervised approaches in that fraud types that were previously unknown can be identified. The only distinction that supervised algorithms are trained to make is between previously identified fraud and legitimate transactions. Bolton and Hand offered a number of unsupervised methods for identifying credit card fraud that are based on behavioral outlier identification. Unusual spending patterns and transaction frequency, or outliers, will be identified as fraud scenarios.

5. Conclusion

To raise their degree of hazard the board in a mechanized, logical, and OK way, dealer banks and organizations should create an exact, effectively accessible, and easy to understand Visa risk observing framework. In this review, we exhibit various Mastercard extortion recognition calculations and their advantages when matched with information mining strategies including certainty esteem calculation and brain organizations. It is prescribed that further review be finished to work on the reason for extortion recognition to give a more appropriate weight and cost factor while saving great tried exactness and identification precision. Each bank that issues cards necessities to have a more effective model or framework for distinguishing Visa misrepresentation. Established researchers has become very intrigued by Visa misrepresentation location, and a few strategies, devices, and models have been made to battle credit extortion. With its high handling speed and altogether more prominent exactness in extortion location, the brain network-based CARDWATCH is restricted to one organization for every client. The precision of the framework is expanded by fluffy Darwinian extortion discovery frameworks (FDFDS).

Fluffy Darwinian extortion recognition frameworks work successfully in distinguishing false exchanges and have a 100 percent misrepresentation discovery rate (FDR) concerning genuine up-sides (TPR). Contrasted with different strategies, the Extortion Recognition Rate (FDR) of the Secret Markov Model (Gee) is similarly low. Impact SSAHA's handling speed is quickly enough to empower online Mastercard misrepresentation identification. Each Visa extortion recognition procedure recorded in this review article has an extraordinary arrangement of benefits, constraints, qualities, and deficiencies. We will actually want to make a half and half strategy for identifying fake Mastercard exchanges with this sort of overview.

The use of credit cards has become more commonplace and vital in many facets of daily life. Creating a reliable and effective method for detecting credit card fraud is one of the biggest difficulties facing financial organizations since it will boost the security of financial transactions. We found that 13 categorization strategies were used in this work to develop fraud detection systems and models. Banks' monetary dangers can be diminished by utilizing information mining methods like ANN, LR, and BN to distinguish Mastercard extortion. Nonetheless, all calculations become less successful at recognizing false exchanges as the dissemination of preparing informational indexes turns out to be more slanted.

In each feature of day by day existence, charge card extortion has become more critical and normal. For monetary organizations, fostering a dependable and powerful framework for recognizing charge card misrepresentation is fundamental to ensuring the security of their exchanges. 13 order procedures that were applied to the making of extortion recognition models and frameworks are recognized in this review. The upsides of utilizing information mining techniques like ANN, LR, and BN to distinguish charge card extortion and decrease bank monetary dangers are underscored in this review. However, all models lose their capacity to distinguish deceitful exchanges as the appropriation of preparing informational indexes gets increasingly slanted. In the future, these comparisons will encompass comparisons of performance and cost-based measures beyond prediction accuracy and TPR/FPR of other performance measures.

6. Related Work

In light of an information mining philosophy, scientists fostered various calculations for distinguishing charge card extortion. Feed-forward brain organization (FFNN), a three-layer strategy for identifying charge card misrepresentation that Ghosh and Rilly introduced, consumes most of the day to prepare. CARD WATCH: Aleskerov et al. raised worries about the need of one organization for each client for their brain network-based data set mining framework, which was a model intended for charge card extortion recognition applications. A BLASTSSAHA Hybridization technique was introduced by Amalan Kundu et al. for the recognizable proof of online charge card extortion. The Impact SSAHA strategy joins techniques for recognizing abuse with characteristics to support the ID of extortion. An exhaustive assessment of the ongoing information mining-based Extortion Discovery Frameworks (FDS) was done by Phua et al. Chiu and partners. offered a cooperative arrangement in view of web administrations for recognizing extortion in banks. In a heterogeneous and dispersed setting, the proposed situation encourages information sharing about extortion patterns among working together organizations. For Visa misrepresentation identification, Abhinav Srivastava et al. fostered a Secret Markov model (Gee) that accomplishes 80% precision over a wide scope of info information. By involving an equal granular brain network for information mining and information revelation process (KDP), Syeda et al. worked on the speed at which charge card extortion was identified. They had the option to acquire palatable execution up to 10 processors; nonetheless, adding more processors brings about load awkwardness. On account of their fleeting intricacy, Markov Models and time series are not adaptable to enormous informational indexes. Since circulated information mining utilizes the Ada Cost supporting calculation, Fan et al. prescribe utilizing it to distinguish Visa misrepresentation to work on the productivity of generally disseminated data sets and discovery frameworks. Ada Cost utilizes an enormous number of classifiers and requires a lot of processing power to identify. Brain network calculations are joined with contemporary information mining strategies by Brause et al. A Visa extortion discovery framework that trains models of false Mastercard exchanges utilizing a scope of meta-learning procedures is portrayed by Stolfo et al.

an elevated degree of misrepresentation discovery with a low number of phony problems. An Innocent Bayesian technique is proposed by Elkan et al. for the location of Mastercard extortion. Elkan and Witten likewise show how the NB approach performs especially well in different certifiable informational collections, with a specific accentuation on direct properties. Despite the fact that they train all the more rapidly and precisely, Bayesian organizations take more time to apply to new cases or events. As of late, Vatsa et al. proposed a game-hypothetical way to deal with Visa misrepresentation discovery in a web-based climate. A charge card misrepresentation location calculation in light of exception identification mining on distance total was proposed by Wen-Tooth et al., and their outcomes showed that it worked better compared to oddity recognition in view of grouping. A philosophy for spotting deceitful exchanges has been created by Jianyun et al. He gives a FP tree-based technique in his work for building client profiles to detect extortion. Notwithstanding, among substantial cardholders, this approach can't distinguish transient social changes. Numerous techniques for recognizing Visa burglary that utilization named information to prepare classifiers are right now unfit to distinguish

new sorts of extortion. One downside of managed learning is that boundary improvement requires human contribution. In any case, choice trees can be built more rapidly than different techniques and don't need the client to supply any data sources.

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