Press Release

SEC Charges Two Investment Advisers with Making False and Misleading Statements About Their Use of Artificial Intelligence

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Washington D.C., March 18, 2024 — The Securities and Exchange Commission today announced settled charges against two investment advisers, Delphia (USA) Inc. and Global Predictions Inc., for making false and misleading statements about their purported use of artificial intelligence (AI). The firms agreed to settle the SEC's charges and pay $400,000 in total civil penalties.

"We find that Delphia and Global Predictions marketed to their clients and prospective clients that they were using AI in certain ways when, in fact, they were not," said SEC Chair Gary Gensler. "We've seen time and again that when new technologies come along, they can create buzz from investors as well as false claims by those purporting to use those new technologies. Investment advisers should not mislead the public by saying they are using an AI model when they are not. Such AI washing hurts investors."

"As more and more investors consider using AI tools in making their investment decisions or deciding to invest in companies claiming to harness its transformational power, we are committed to protecting them against those engaged in 'AI washing,'" said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "As today's enforcement actions make clear to the investment industry – if you claim to use AI in your investment processes, you need to ensure that your representations are not false or misleading. And public issuers making claims about their AI adoption must also remain vigilant about similar misstatements that may be material to individuals' investing decisions."

According to the SEC's order against Delphia, from 2019 to 2023, the Toronto-based firm made false and misleading statements in its SEC filings, in a press release, and on its website regarding its purported use of AI and machine learning that incorporated client data in its investment process. For example, according to the order, Delphia claimed that it "put[s] collective data to work to make our artificial intelligence smarter so it can predict which companies and trends are about to make it big and invest in them before everyone else." The order finds that these statements were false and misleading because Delphia did not in fact have the AI and machine learning capabilities that it claimed. The firm was also charged with violating the Marketing Rule, which, among other things, prohibits a registered investment adviser from disseminating any advertisement that includes any untrue statement of material fact.

In the SEC's order against Global Predictions, the SEC found that the San Francisco-based firm made false and misleading claims in 2023 on its website and on social media about its purported use of AI. For example, the firm falsely claimed to be the "first regulated AI financial advisor" and misrepresented that its platform provided "[e]xpert AI-driven forecasts." Global Predictions also violated the Marketing Rule, falsely claiming that

it offered tax-loss harvesting services, and included an impermissible liability hedge clause in its advisory contract, among other securities law violations.

Without admitting or denying the SEC's findings, Delphia and Global Predictions consented to the entry of orders finding that they violated the Advisers Act and ordering them to be censured and to cease and desist from violating the charged provisions. Delphia agreed to pay a civil penalty of $225,000, and Global Predictions agreed to pay a civil penalty of $175,000.

The SEC's Office of Investor Education and Advocacy has issued an Investor Alert about artificial intelligence and investment fraud.

The SEC's investigations were conducted by Anne Hancock, HelenAnne Listerman, and John Mulhern under the supervision of Kimberly Frederick, Brent Wilner, Corey Schuster, and Andrew Dean with the Division of Enforcement's Asset Management Unit. Ragni Walker, Thomas Grignol, and Peter J. Haggerty of the Division of Examinations and Roberto Grasso of the Division's Office of Risk and Strategy assisted with the investigations.

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More About This Topic

- Video - SEC Chair Gary Gensler on AI Washing
- Video - SEC Enforcement Director Gurbir Grewal on AI Washing

Related Materials

- SEC Order - Delphia
- SEC Order - Global Predictions