

SEC Enforcement Case Summary

Investment Advisers Make False and Misleading Statements About Use of AI

On March 18, 2024, The Securities and Exchange Commission (**SEC**) 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**).

According to the SEC’s order against Delphia, the 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. 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 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 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.

See Press Release - <https://www.sec.gov/news/press-release/2024-36>