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CFTC Customer Advisory Cautions the Public to Beware of Artificial Intelligence Scams

January 25, 2024

Washington, D.C. — The Commodity Futures Trading Commission’s Office of Customer Education and Outreach today issued a customer advisory warning the public about Artificial Intelligence (AI) scams. Customer Advisory: *AI Won’t Turn Trading Bots into Money Machines* explains how the scams use the potential of AI technology to defraud investors with false claims that entice them to hand over their money or other assets to fraudsters who misappropriate the funds and deceive investors.

With the growth of the use of AI in everyday life, scammers are making claims that it can generate huge returns using bots, trade signal algorithms, crypto-asset arbitrage algorithms, and other AI-assisted technology. The prevalence of social media platforms and “influencers” makes it even easier for fraudsters to spread false information. The advisory warns investors that claims of high or guaranteed returns are red flags of fraud and that strangers promoting these claims online should be ignored.

“When it comes to AI, this advisory is telling investors, “Be wary of the hype,” said OCEO Director Melanie Devoe. “Unfortunately, AI has become another avenue for bad actors to defraud unsuspecting investors.”

The advisory helps investors identify and avoid potential scams, including a reminder that AI technology cannot predict the future. It also lists four important items investors may consider, including researching the background of a company or trader, before trusting their money to trading bots or trade-signal providers.

About the Office of Customer Education and Outreach (OCEO)

OCEO is dedicated to helping customers protect themselves from fraud or violations of the Commodity Exchange Act through the research and development of effective financial education materials and initiatives. OCEO engages in outreach and education to retail investors, traders, industry organizations, and the agricultural community. The office also frequently partners with federal and state regulators as well as consumer protection groups. The CFTC’s full repository of customer education materials can be found at: <https://www.cftc.gov/LearnAndProtect>.

Customers and other individuals can report suspicious activities or information, such as possible violations of commodity trading statutes and regulations, to the Division of Enforcement by filing a whistleblower tip or complaint at www.cftc.gov/complaint. Whistleblowers may be eligible to receive between 10 and 30 percent of the monetary sanctions collected in a successful enforcement action. All whistleblower awards come out of the CFTC Customer Protection Fund which is financed through monetary sanctions paid to the CFTC. To learn more about the CFTC’s Whistleblower Program, go to www.whistleblower.gov.

The Customer Advisory: *AI Won’t Turn Trading Bots into Money Machines* is available in full below and on cftc.gov.

Fraudsters are exploiting public interest in artificial intelligence (AI) to tout automated trading algorithms, trade signal strategies, and crypto-asset trading schemes that promise unreasonably high or guaranteed returns. Don’t believe the scammers. AI technology can’t predict the future or sudden market changes.

Scammers claim AI-created algorithms can generate huge returns—sometimes tens of thousands of percent—or yield 100 percent “win” rates. These dubious claims have been made about algorithms that automatically place trades, known as “bots,” and algorithms that provide buy and sell signals to subscribers, among others.

In recent years, the CFTC has alleged several defendants defrauded customers by operating or marketing commodity pools, digital assets, or “investment programs” that promised regular, above-average returns through the use of AI. But, these promises were false and, instead of getting automatic money-making machines, customers lost tens of millions of dollars and, in one case, nearly 30,000 bitcoins—worth about \$1.7 billion at the time.^[1]

Before you trust your money to trading platforms that claim AI-created algorithms can generate huge returns, you should:

- Research the background of the company or trader; conduct a reverse image search on key personnel to verify their identities.
- Research the history of the trading website by checking the age of the [domain registration](http://domainregistration) at lookup.icann.org.
- Get a second opinion. Talk the investment over with a financial advisor, trusted friend, or family member.
- Know the risks associated with the underlying assets. Also consider the impact fees, spreads, and subscription costs would have on returns.

Be wary of the hype around AI especially when promoted by social media influencers and strangers you meet online. You can report fraud to the CFTC and to the FBI.

This article was prepared by the CFTC’s Office of Customer Education and Outreach. It is provided for general informational purposes only and does not provide legal or investment advice to any individual or entity. Please consult with your own legal advisor before taking any action based on this information. The CFTC cannot attest to the accuracy of information contained in any non-CFTC references or websites. Reference in this advisory to any organizations or the use of any organization, trade, firm, or corporation name is for informational purposes only and does not constitute endorsement, recommendation, or favoring by the CFTC.

[1] For examples of recent cases, see CFTC Press Releases 8803-23, 8697-23, 8621-22, 8549-22, 8510-22, 8493-22, 8438-21, 8115-20 and 8047-19, <https://www.cftc.gov/PressRoom/PressReleases>.

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Customer Advisory: AI Won’t Turn Trading Bots into Money Machines

Case Study: Mirror Trading International

Over about a three-year period, Cornelius Johannes Steynberg, a citizen of the Republic of South Africa, stole more than \$1.7 billion in bitcoin from at least 23,000 people using a few websites, as well as accounts on Facebook, Instagram, and YouTube.

For as little as \$100 in bitcoin, and with “no trading experience required,” customers could buy into his commodity pool that used a proprietary bot trading program that guaranteed at least a 10 percent monthly return (or more than 200 percent per year) trading foreign currencies. Customers could refer friends or work as affiliate marketers and receive referral bonuses. Steynberg also created fake customer accounts and balances using MetaTrader demo accounts.

In reality, very little money was actually traded. Instead, it operated as a Ponzi scheme with some money from new investors used to pay older investors and the rest misappropriated by Steynberg. [See CFTC Press Releases 8549-22 and 8696-23].

Resources

- CFTC Regulations
- Commodity Exchange Act
- Privacy Policy
- Web Policy
- FOIA
- EEO Statement
- No Fear Act
- Accessibility Statement
- Procurement
- USA.gov
- Glossary

Actions

- Search Public Comments
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