

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

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.

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 (<https://www.cftc.gov/PressRoom/PressReleases/8549-22>) and 8696-23 (<https://www.cftc.gov/PressRoom/PressReleases/8696-23>)].

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 (<https://www.cftc.gov/sites/default/files/2023-04/SpotFraudSites.pdf>) at lookup.icann.org (<https://www.cftc.gov/Exit/index.htm?https://lookup.icann.org/en>).
- 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 (<https://www.cftc.gov/complaint>) and to the FBI (<http://www.ic3.gov>).

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

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