



STATE OF CALIFORNIA

**Department of Financial Protection and Innovation**

GOVERNOR **Gavin Newsom** • COMMISSIONER **Clothilde V. Hewlett**

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## **DFPI Launches Sweep of Investment Fraud Claiming Ties to Artificial Intelligence**

*Scammers Use Fake CEOs, Bogus Algorithms, Ponzi Schemes to Trick Investors*

SACRAMENTO – The California Department of Financial Protection and Innovation (DFPI) announced today it has issued desist and refrain orders against five entities to stop fraudulent investment schemes tied to artificial intelligence (AI).

“Today’s enforcement actions continue the DFPI’s crack down on investor fraud. Scammers are taking advantage of the recent buzz around artificial intelligence to entice investors into bogus schemes,” said DFPI Commissioner Clothilde Hewlett. “We will continue our efforts to protect California consumers and investors by going after these unscrupulous actors.”

The orders find that the named entities and individuals violated California securities laws by offering and selling unqualified securities and making material misrepresentations and omissions to investors. The entities solicited funds from investors by claiming to offer high yield investment programs (HYIP) that generate incredible returns by using AI to trade crypto assets. As part of their solicitations, they used multi-level marketing schemes that reward investors for recruiting new investors.

The subjects of today’s desist and refrain orders are the following entities and individuals:

- [Maxpread Technologies and Jan Gregory Cerato](#) offered unqualified securities and made misrepresentations and omissions to prospective investors. The entity supposedly used AI to trade crypto assets, promising daily investor returns of at least 0.6%. They misrepresented the expected profits and risk of loss and used investor funds to pay purported profits to other investors, in the manner of a Ponzi scheme. They attempted to trick investors about the identity of the CEO using a fake, AI-generated avatar programmed to recite a script.
- [Harvest Keeper](#) offered unqualified securities in a scam designed to “harvest” investor funds and “keep” them. It claimed to trade crypto assets using AI, promising daily 4.81% fixed rate of return. It falsely represented it would prevent any investor losses, and falsely guaranteed that investors would always have access to their funds. To appear like a legitimate business, the entity hired an actor to play the role of its fictitious CEO.
- [Visque Capital](#) offered unqualified securities and made misrepresentations and omissions to prospective investors. The entity claimed to use AI to trade crypto assets, promising daily

investor returns of at least 2%. It misrepresented the expected profits and risk of loss and used investor funds to pay purported profits to other investors. It falsely represented that it was owned and operated by another company that had no affiliation with the entity.

- [Coinbot](#) offered unqualified securities and made misrepresentations and omissions to prospective investors. The entity supposedly used AI to trade crypto assets, which it claimed produced daily investor returns of at least 1.5%. Instead, it used investor funds to pay to other investors.
- [QuantFund](#) offered unqualified securities and made misrepresentations and omissions to prospective investors. The entity supposedly used AI to trade crypto assets and promised investors fixed daily rates of return of at least 1%. It falsely represented that it created an insurance fund to prevent any investor losses.

## The Anatomy of the Scams

Taking advantage of the hype around AI, these entities claimed to use AI to conduct the purported crypto trading. The pitch was simple: investors were told that if they invested funds, these entities would use their knowledge, skill, experience, and AI to trade crypto assets and generate incredible profits for investors. In each case, these claims are false.

Each of these entities went to great lengths to appear as if they were legitimate businesses. They created professional websites, maintained social media accounts, and were promoted on social media by influencers and investors that shared stories of the money they were supposedly making.

For investors, these schemes may seem as if they are operating as promised – for a certain amount of time. For weeks, months, or even years, investors see their account balances steadily increase. In the early stages, HYIPs will process investors' withdrawal requests to gain investors' trust and encourage them to recruit others. However, a time will come when the scheme stops processing withdrawals and then the website goes dark, leaving investors without a way to access their funds. By then it's too late and the scammers have disappeared with investors' money.

## DFPI's Crackdown on High Yield Investment Programs

These orders continue the DFPI's crackdown on [HYIPs](#). These programs use social media and influencers to quickly raise hype about the promised returns and low risk of the investment, then the operators quickly disappear leaving investors with no recourse to retrieve their money. Learn more about HYIPs:

- [DFPI's Consumer Advisory on HYIPs](#)
- [HYIPs and the red flags to look for](#)
- [AI in Investment Scams](#)

The DFPI expects any person offering securities, lending, or other financial services in California to comply with our financial laws. Investors may file a complaint directly with the DFPI if they suspect a

company of using unlawful, unfair, deceptive, or abusive practice online ([dfpi.ca.gov/file-a-complaint](https://dfpi.ca.gov/file-a-complaint)) or call toll-free at (866) 275-2677.

### **About DFPI**

The DFPI protects consumers, regulates financial services, and fosters responsible innovation. The DFPI protects consumers by establishing and enforcing financial regulations that promote transparency and accountability. We empower all Californians to access a fair and equitable financial marketplace through education and preventing potential risks, fraud, and abuse. Learn more at [dfpi.ca.gov](https://dfpi.ca.gov).

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