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CASE STUDY · MARLUC SYNOPSIS

Delphia and Global Predictions: SEC 'AI washing' orders

IMPLEMENTED 2019–2024 · FINANCIAL SERVICES AND INSURANCE · US · BAND F · PROVED

VERSION 1.0 · PUBLISHED 16 NOVEMBER 2026 · UPDATED 16 NOVEMBER 2026 · FACTS CHECKED 16 NOVEMBER 2026

Two investment advisers settled US SEC charges in March 2024 that they made false and misleading statements about their use of AI. They paid $400,000 in combined penalties without admitting or denying the findings.

ABOUT THIS SYNOPSIS

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The impact band, proof marker and SEAM view are MarLuc's opinion. The organisation is not a MarLuc client and has not reviewed or endorsed this synopsis. Names and trademarks belong to their owners.

NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

What went wrong: Misleading AI claims.

AI and automation used: Claimed AI and machine learning for investment decisions; the SEC found the claimed capabilities were not in place or not substantiated.

Implemented: 2019–2024. Grade: band F, Failure, Proved.

Headline result, as reported: SEC penalties of $225,000 and $175,000 over false AI claims in the first 'AI washing' actions, March 2024

1 · The case

The facts, as reported by the 3 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

Delphia (USA) Inc. and Global Predictions Inc.. Two small US-registered investment advisers. Delphia, based in Toronto, ran a robo-adviser business; Global Predictions, based in San Francisco, runs an online platform that gives allocation recommendations through a chatbot, per Latham & Watkins. Canvas block: 3. Customers and proposition. Also 8. Governance and risk.

Business challenge

The challenge. Not reported. Both firms marketed AI as a source of better investment decisions, per the SEC findings as reported.

How it was addressed. From 2019 to 2023 Delphia told clients it put their collective data to work to make its artificial intelligence smarter, so it could predict which companies and trends were about to grow. The SEC found Delphia did not have the AI and machine learning capabilities it claimed. In 2023 Global Predictions described itself as the "first regulated AI financial advisor" and claimed "[e]xpert AI-driven forecasts"; the SEC found it could not substantiate these and other claims. [1] [2] [3]

Who implemented it

No technology partners are named; the case concerns claims about AI.

Technology (SEAM pillar E)

SEAM types: not established; the sources do not say how the system works. Deployment: Not reported. Vendors and products: Not reported.

Where it was built in: Claims in regulatory filings, advertisements, websites and social media; the SEC found Delphia had not built the claimed capabilities.

What changed

Before: AI claims in Delphia's regulatory filings, advertisements and social media, and on Global Predictions' website and social media. After: both firms were censured, ordered to cease and desist and paid penalties; RIABiz reported that both websites had moved to blander wording. [1] [2] [3]

Cost of failure

$225,000 civil penalty for Delphia and $175,000 for Global Predictions, $400,000 in total; both censured and ordered to cease and desist.

What it saved

Not reported [1] [2] [3]

Governance and control

The SEC found violations of the Advisers Act, including Sections 206(2) and 206(4), the Marketing Rule and Rule 206(4)-7, per Latham & Watkins. Global Predictions was also found to have made other false statements and to have an advisory contract that breached its fiduciary duty. The SEC did not rule on whether the technology, if deployed, would count as AI.

S2 · Accountable owner · Not reported
Not reported.

A1 · Safe use · Not reported
Not reported.

A2 · Human in the loop · Not reported
Not reported.

A3 · Monitoring and assurance · Not reported
Not reported; the orders found violations including Rule 206(4)-7, per Latham & Watkins. [2]

A4 · Vendor AI · Not reported
Not reported.

A5 · Agent controls · Not reported
No agents described.

A6 · Standards and regulation · Outside scrutiny (a regulator, court, auditor or similar body acted)
The US SEC censured both firms, ordered them to cease and desist and imposed penalties of $225,000 and $175,000. [1] [2]

What worked, what did not, what is unproven

WORKED

– Not reported

DID NOT

– Delphia did not have the AI and machine learning capabilities it marketed, the SEC found.

– Global Predictions could not substantiate its claims to be the first regulated AI financial adviser and to give expert AI-driven forecasts, the SEC found.

UNPROVEN

– Whether any client lost money because of the claims: Not reported.

Timeline

2019 Delphia starts its robo-advisory business and begins claiming its AI learns from clients' data [2]

2023 Global Predictions markets itself as the "first regulated AI financial advisor" [1]

Mar 2024 SEC announces settled charges and penalties against both firms [2]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: Not applicable. Grade: F, Failure. Proof: Proved. Level of change: Not graded.

No level assessed: band F, a regulator sanction for misleading AI claims. The orders show regulators treating AI marketing claims as statements that must be substantiated.

The SEAM view and lessons learnt

The failure lay in marketing: the firms described AI they did not have. The SEC applied existing advertising and compliance rules, with no new AI law needed. For any regulated organisation, claims about AI belong in the same review process as any other material statement to clients or investors.

1. Review AI claims in marketing as you would any other material statement.
2. Keep evidence that each AI capability you describe exists and works.
3. Update public wording when a planned AI capability is not built.

Evidence

Score 3 of 4. Independent: SEC settled orders, as reported by RIABiz and analysed by Latham & Watkins; the SEC's own pages refused plain access and were not opened.

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/delphia-global-predictions-sec-ai-washing

[1] RIABiz: Two 'RIAs' that allegedly falsely advertised using 'artificial intelligence' to aid investment decisions cough up real SEC settlements and censure (20 March 2024)
https://riabiz.com/a/2024/3/20/two-rias-that-allegedly-falsely-advertised-using-artificial-intelligence-to-aid-investment-decisions-cough-up-real-sec-settlements-and-censure

[2] Latham & Watkins: SEC Announces First-Ever Enforcement Actions for "AI Washing" (client alert, 25 March 2024)
https://www.lw.com/admin/upload/SiteAttachments/SEC-Announces-First-Ever-Enforcement-Actions-for-AI-Washing.pdf

[3] RIABiz: guest column by Todd Cipperman on the SEC's use of the term 'AI washing' (26 March 2024)
https://riabiz.com/a/2024/3/26/two-rias-made-misleading-artificial-intelligence-marketing-claims-thats-not-good-but-neither-was-the-secs-decision-to-tar-them-for-ai-washing

Version 1.0 · Published 16 November 2026 · Updated 16 November 2026 · Facts checked against sources 16 November 2026 · Downloaded 26 November 2026. This PDF may be out of date: the latest version, and a way to report an error or a better source, is at https://marluc.co.uk/case-studies/delphia-global-predictions-sec-ai-washing

VERSION HISTORY

v1.0 16 November 2026 First published