



____ Vicki Schmidt, Commissioner _____

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(Anti) Fraud Friday: New investment scam combines AI and cryptocurrency

Topeka, Kan. – The Office of the Kansas Securities Commissioner, a division of the Kansas Insurance Department, warns investors to be aware of a new type of scam involving the purchase of artificial intelligence (AI) algorithms by investors for the purpose of trading cryptocurrencies promising abnormally high returns.

“New technology can often bring with it new scams,” Kansas Insurance Commissioner Vicki Schmidt said. “While the potential exists for AI algorithms to create positive returns on an investment, Kansans should do their own research before investing in any AI or cryptocurrency related offering.”

These scams work by offering investors the opportunity to invest in an AI platform that uses automation to trade cryptocurrency. They often contain a multi-level marketing element that promises additional returns for every additional investor brought to the offering. In some cases, these schemes will also offer a secondary investment called an initial coin offering (ICO), which comes with a narrow window of investment opportunity. These ICO’s will offer the same cryptocurrency token listed in the ICO as the interest payment source to investors or higher returns if the investor purchases both the AI trading algorithm with the ICO. All these elements combine into a fraud that promises incredibly high returns with little effort—both hallmarks of fraud.

Be on the lookout for these red flags:

- Unsolicited social media messages offering a high return for a small investment in cryptocurrency trading or an AI based trading platform.
- Advertisements on Tik-Tok and YouTube, offering additional cryptocurrency or additional percentages on an investment for using the video creator’s link to purchase the offering.
- Claims of an easy withdrawal process combined with a guarantee that investor funds are always available on the platform.
- Advertisement of a limited time offer.
- Offering of both an AI crypto trading algorithm and an ICO on the same website.

If you would like to report a suspicious investment offering or suspect you have been a victim of securities fraud, please contact the Office of the Kansas Securities Commissioner at 785-296-3071 or file a complaint online at <https://insurance.ks.gov/department/ksc/complaint/ksc-complaint.php>. All investments carry risk, so visit SmartInvestKS.com to learn more about different types of investments and how to avoid fraud.

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The Office of the Kansas Securities Commissioner, a division of the Kansas Insurance Department, regulates the offer and sale of securities in Kansas--the birthplace of “Blue Sky Laws.” In 2017, the Office was merged with the Kansas Insurance Department.