

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6574 / March 18, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21895**

**In the Matter of**

**GLOBAL PREDICTIONS,  
INC.**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 203(e) AND  
203(k) OF THE INVESTMENT ADVISERS  
ACT OF 1940, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND  
A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Global Predictions, Inc. (“Global Predictions” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

1. This matter involves violations of the Advisers Act by Global Predictions by making false and misleading claims about its use of artificial intelligence ("AI"), its status as the "first regulated AI financial advisor," and the services that it offered. Global Predictions was also unable to substantiate performance claims upon demand by the Commission, failed to disclose material conflicts of interest resulting from its relationships with certain individuals giving testimonials, and advertised hypothetical performance on its public website without adopting and implementing the policies and procedures required by Advisers Act Rule 206(4)-1 (the "Amended Marketing Rule"). In addition, Global Predictions failed to implement certain of its compliance policies and procedures relating to its marketing activities. Global Predictions also failed to provide advance notice of certain material changes to its advisory contract; the terms of that contract permitted Global Predictions to change its terms unilaterally without advance notice to clients, in violation of its fiduciary duty as an investment adviser. Furthermore, Global Predictions included liability disclaimer language, commonly referred to as a hedge clause, in its advisory contract with clients, which created the misleading impression that clients had waived non-waivable causes of action against Global Predictions provided by state or federal law, and made false and misleading disclosures to clients regarding its advisory services.

#### Respondent

2. **Global Predictions, Inc.** is a Delaware corporation with its principal place of business in San Francisco, California. Global Predictions registered with the Commission as an internet investment adviser pursuant to Rule 203A-2 under the Advisers Act on August 14, 2023. Global Predictions states that it provides non-discretionary investment advice for compensation to retail clients through its website application, PortfolioPilot.com ("PortfolioPilot").

#### Facts

3. According to its Form ADV Part 2A brochure, filed on July 17, 2023, Global Predictions offers investment advisory services through PortfolioPilot, an interactive online platform, which makes investment allocation recommendations to clients. According to the Form ADV brochure, PortfolioPilot makes allocation recommendations utilizing algorithms. PortfolioPilot allows clients to interface with its platform using a chatbot that communicates allocation recommendations, but the chatbot does not generate allocation recommendations.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

### ***Global Predictions' False and Misleading Statements and Amended Marketing Rule Violations***

4. From the date of its registration, which occurred after the compliance date for the Amended Marketing Rule, Global Predictions disseminated material to more than one person on its public website and social media sites, as well as in emails to current and prospective clients, that constituted advertisements, and that contained false and misleading statements. For example, Global Predictions claimed on its public website that its technology incorporated “[e]xpert AI-driven forecasts,” when in fact it did not. Global Predictions also inaccurately claimed to be the “first regulated AI financial advisor” on its public website, in emails to current and prospective clients, and on various social media sites and, in turn, could not produce documents to substantiate this claim.

5. Global Predictions represented on its public website that it offered tax-loss harvesting services that could save users “thousands of dollars,” when it did not in fact offer any tax-loss harvesting services.

6. In addition, Global Predictions claimed on its public website and in a press release that it had more than \$6 billion of assets on its platform, when in fact Global Predictions does not have or report any regulatory assets under management on its Form ADV. Global Predictions also represented on its public website a demonstrative graphic of its user interface including hypothetical performance that was not based on actual client data, with no disclosure that the hypothetical performance presented did not reflect an actual client account and was for illustrative purposes only.

7. Global Predictions also represented that “[i]n the latest measure, the models are outperforming IMF forecasts by 34%, and the platform keeps improving,” with no disclosure regarding when the analysis was conducted or what the 34% figure referred to, and that it “outperforms major economic benchmarks like the IMF World Economic Outlook,” with no disclosure identifying what other “major economic benchmarks” were used. In reality, Global Predictions’ claims referred to its relative error rate and only compared its models to the IMF World Economic Outlook benchmark. Additionally, these claims were based on an analysis that Global Predictions conducted in December 2021, though the claims remained publicly available for approximately two years after the analysis was conducted. Global Predictions was unable to produce records substantiating its claim that its “models outperform[] IMF forecasts by 34%[.]”

8. In addition, Global Predictions advertised on its public website and on YouTube hypothetical performance to the general public, rather than to a particular intended audience. Specifically, Global Predictions advertised that its models would have outperformed a “Global 60/40 Benchmark” for the years 2015 through 2022, which predated Global Predictions’ founding, and that its models offer a “+3-6% boost to returns.” While advertising hypothetical performance, Global Predictions failed to adopt and implement policies and procedures reasonably designed to ensure that the hypothetical performance was relevant to the likely financial situation and investment objectives of the intended audience. As a result, Global Predictions disseminated hypothetical performance in an advertisement to a mass audience rather than presenting hypothetical performance relevant to the likely financial situation and investment objectives of an intended audience.

9. Global Predictions also disseminated testimonials on its public website without describing material conflicts of interest on the part of certain persons giving the testimonials created by Global Predictions' relationship with them. For example, two persons giving testimonials had outside business relationships with Global Predictions' Chief Executive Officer and one of those persons had previously been retained by Global Predictions as an independent contractor, while a third person giving a testimonial was a close family member of Global Predictions' Chief Executive Officer.

### ***Global Predictions' Advisory Contract***

10. Global Predictions' advisory contract with retail clients contained terms that violated its fiduciary duty. Since at least August 14, 2023, when its registration as an investment adviser with the Commission became effective, Global Predictions' advisory contract contained terms providing that Global Predictions could change the terms of the contract unilaterally without advance notice to clients. Instead, the agreement required clients to periodically visit Global Predictions' website and review the contract themselves for any changes. Global Predictions' advisory contract also contained representations that were inconsistent with other of its representations, including its Form ADV Part 2A brochure. For example, Global Predictions included a provision in the contract claiming that Global Predictions "do[es] not give financial or investment advice or advocate the purchase or sale of any security or investment." By contrast, its Form ADV Part 2A brochure stated that Global Predictions is an investment adviser and that its "investment advice is provided through [its] website application, PortfolioPilot."

11. On November 15, 2023, Global Predictions unilaterally made material changes to its advisory contract. It subsequently mentioned, at the end of a blast email to clients about its recent activities, that it had made changes to its advisory contract and provided a link to the updated terms of service. The blast email did not identify what changes had been made, nor did it provide any mechanism for clients to provide or withhold informed consent to the change prior to it becoming effective.

12. In addition, Global Predictions' advisory contract with retail clients included liability disclaimer language, commonly referred to as a hedge clause. An investment adviser's advisory contract may not misrepresent, or contain misleading statements regarding, the scope of an adviser's non-waivable fiduciary duty or lead a client to believe incorrectly that the client has waived a non-waivable cause of action against the adviser provided by state or federal law.

13. Since at least August 14, 2023, Global Predictions distributed advisory contracts to retail clients with hedge clauses that purported to relieve Global Predictions from liability for "any claim or demand" regardless of the theory of liability, and purported to cause the client to broadly indemnify and hold Global Predictions harmless from any third-party claim or demand arising out of the client's use of Global Predictions' services.

14. The hedge clauses in Global Predictions' advisory contract with retail clients were inconsistent with Global Predictions' fiduciary duty because the hedge clauses could have misled retail clients into not exercising their non-waivable legal rights.

### ***Other Compliance Failures***

15. Global Predictions failed to implement certain compliance policies and procedures in its compliance manual. For example, Global Predictions' compliance manual required the review and approval of all marketing materials in writing prior to dissemination and maintain a log of any such approvals. Global Predictions' compliance manual also prohibited the use of employees' personal social media for promoting Global Predictions and required the review and approval of any posting, liking or sharing of any third-party content by the Global Predictions' social media accounts. Global Predictions failed to implement any of these policies and procedures.

### **Violations**

16. As a result of the conduct described above, Global Predictions willfully<sup>2</sup> violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to “engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client.” Scienter is not required to establish a violation of Section 206(2), but rather may rest on a finding of negligence. *See SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 194-95 (1963)).

17. As a result of the conduct above, Respondent willfully violated Section 206(4) of the Advisers Act and Rules 206(4)-1(a), 206(4)-1(b), and 206(4)-1(d) thereunder.<sup>3</sup>

18. As a result of the conduct described above, Respondent willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require a registered investment adviser to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder.

### **Remedial Steps**

19. In determining to accept the Offer, the Commission considered the cooperation afforded to the Commission staff and remedial acts undertaken by Global Predictions, including its removal of advertisements that violated the Amended Marketing Rule from its public website and/or social media sites, retention of a compliance consultant to review its marketing materials,

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<sup>2</sup> “Willfully,” for purposes of imposing relief under Section 203(e) of the Advisers Act, “means no more than that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term “willfully” for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has “willfully omit[ted]” material information from a required disclosure in violation of Section 207 of the Advisers Act).

<sup>3</sup> The Commission amended Rule 206(4)-1 in 2020, with a compliance date of November 4, 2022.

compliance training undertaken by its employees, reimbursement of advisory fees paid by clients, and revisions to its existing advisory contract with clients with advance notice.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Global Predictions' Offer.

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-1 and 206(4)-7 thereunder.

B. Respondent is censured.

C. Respondent shall pay a civil money penalty in the amount of \$175,000 to the Commission for transfer to the general fund of the United States Treasury, subject to the Securities Exchange Act of 1934 Section 21F(g)(3). Payment shall be made in the following installments: within 10 days of the entry of this Order, Respondent shall pay \$43,750 of the civil penalty amount; thereafter, Respondent shall pay three additional installments of \$43,750 each with the first additional installment to be paid within 120 days of the entry of this Order, the second additional installment to be paid within 240 days of the entry of this Order, and the third additional installment to be paid within 360 days of the entry of this Order, plus all accrued interest. Payments shall be applied first to post-order interest, which accrues pursuant to 31 U.S.C. §3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request.
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Account Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Global Predictions, Inc. as a Respondent in these proceedings, and the file number of the proceedings; a copy of the cover letter and check or money order must be sent to Corey Schuster, Asset Management Unit Co-Chief, 100 F St., N.E, Washington, DC 20549, or such other address as the Commission staff may provide.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman  
Secretary