

RETAIL INVESTOR GUIDE

Navigating Digital Finance Safely



“The rise of powerful AI will either be the best or the worst thing ever to happen to humanity. We do not yet know which.” Professor Stephen Hawking

The Cyprus Securities and Exchange Commission (CySEC) issued this Investor Guide to mark its participation in the global investor education campaign, World Investor Week 2025. This year’s key themes were **Technology & Digital Finance, Artificial Intelligence (AI), and Fraud & Scam Prevention**, underscoring how technological advances are rapidly transforming finance.

Positioned at the intersection of technology and money, modern digital finance is redefining how we save, invest and transact. Innovations such as AI are enhancing financial services while also introducing new risks. This guide outlines the key benefits, challenges, and regulatory focus areas every investor should understand.



How Artificial Intelligence Works

Artificial Intelligence (AI) uses digital technology to perform tasks that normally require human intelligence, like solving problems, making decisions, or spotting patterns. It learns by analysing large datasets, detecting patterns through algorithms, and improving with experience. For example, it could quickly look through financial information, identify trends or detect

possible fraud. By helping to save time, reduce mistakes and create new ideas, AI is changing how industries, businesses and the global economy work.

The Ongoing AI-Driven Revolution in Finance

Digital banking, investing apps, and AI-powered tools are now part of everyday life. Paying with a phone or smart watch has made spending fast and simple. But convenience can sometimes lead to **quick, impulsive decisions and less saving**. It can also make consumers more vulnerable to **online scams and frauds** that appear increasingly convincing or personalised. Staying alert and informed is key to protecting your money.

AI is changing the internet and the way we manage our money. Instead of browsing different websites or apps, AI chatbots and digital assistants can now search, compare and even complete tasks for us, from finding the best deals to helping us manage our finances. This new online world makes things easier, but it also changes how we get information and make financial choices.

AI is also becoming more active in financial markets. It can analyse data, suggest investments and even make trades in seconds. While these tools offer exciting opportunities, they also require care and understanding. **Knowing how they work or better their limitations, helps you stay in control, avoid risks, and make smarter choices.**

Amid this transformation, a clear generational gap is emerging. Younger people who have grown up in a world shaped by technology, often seek financial advice from online communities, social media and popular influencers. Older generations, meanwhile, tend to rely on more traditional sources and methods that may not always keep pace with today's fast-changing digital world.

The European Commission is leading efforts to balance innovation and safety through the AI Act, setting the foundation for responsible AI use in finance. In March 2025, ESMA cautioned that unregulated AI apps and stock-picking tools could mislead investors, misuse data and leave them unprotected. Meanwhile, the OECD has promoted trustworthy, human-centred AI by issuing principles that emphasise transparency and accountability, while also calling for stronger financial literacy to empower citizens.

Opportunities and Insights: How AI Can Support Investment Decisions

AI Can Make Finance Easier to Understand

Artificial intelligence (AI) can help make finance clearer and more accessible when used responsibly. It can turn complex financial data into simpler, easy-to-understand information, helping investors make more informed decisions and feel more confident about their money. AI can simplify technical terms and lengthy reports, offering clear explanations that save time and improve understanding. It can also provide personalised support through chatbots or virtual assistants, helping users find information quickly without searching through long documents. With proper use, AI can deliver real-time updates on market or regulatory changes, translate information into multiple languages and transform data into clear visuals that make trends easier to interpret.



AI Can Support Personal Finance

AI can assist individuals in managing their personal finances more effectively. It can analyse and categorise spending, showing how money is distributed across areas such as groceries, transport, or entertainment. Based on this information, AI can suggest realistic budgets and send alerts when spending limits are exceeded. It can forecast cash flow by identifying patterns in past transactions and anticipate possible shortfalls or surpluses. AI could possibly also provide personalised investment suggestions that align with an individual's financial goals and risk profile if given all the information. Furthermore, it can help detect fraud by recognising unusual or suspicious transactions. Finally, AI can support automatic saving by transferring small amounts into savings accounts based on spending habits, encouraging consistent saving without disrupting daily needs.

AI and Investing: What Every Consumer Should Be Careful About

While AI-powered tools continue to evolve and offer exciting new possibilities, it's important to remember that when dealing with your hard-earned money, prudence and careful judgment should always prevail.

☒ **AI tools are not designed or regulated for the provision of financial advice.**

AI is increasingly used in finance, supporting research and analysis. Publicly available AI platforms and apps can suggest investments but are not licensed or supervised to

provide personalised and reliable financial guidance. AI tools have no legal duty to act in your best interest or tailor recommendations to your individual needs.

☒ **AI can assist but should not be your only source of advice.**

AI-generated insights can provide one input among many. Combine these with your own research from diversified information sources, critical thinking and advice from authorised investment professionals.

☒ **AI systems can generate seemingly convincing, but inaccurate or misleading content, leading to poor financial decisions or losses.**

While AI-powered tools can support research and analysis, they are subject to model bias, data misuse, manipulation, and errors. They can produce outdated, biased, incomplete or even fabricated information that may lead to poor investment choices and financial losses. [See box “When Machines Get it Wrong”]

☒ **AI systems can be unpredictable.**

Even developers may not fully understand how some AI models reach conclusions, which makes them unreliable in complex or volatile markets.

☒ **Be sceptical of get-rich-quick claims.**

Avoid platforms promising high or guaranteed returns from AI-driven strategies or stock picking services. Predicting markets is extremely difficult and there are no shortcuts to wealth.

☒ **Understand the limits of investor protection.**

If you use unregulated AI tools and suffer a loss, you may not have access to dispute resolution, compensation schemes or a financial ombudsman.

☒ **Protect your personal data.**

Avoid sharing sensitive information such as income, financial goals, or assets with public AI platforms. These services may lack strong security and privacy safeguards.

☒ **Be cautious with AI-generated stock signals.**

Paid apps and websites that claim to predict securities prices using AI can be inaccurate, rely on incomplete data and may lead to financial losses.

☒ **Use technology wisely and think critically.**

Build resilience by combining AI tools with sound investment principles and professional advice. Automation should support rather than replace informed human judgment.

When Machines Get It Wrong

Sometimes AI systems create information that sounds accurate but isn't. These mistakes are called “**AI hallucinations.**”

They happen when an AI tool fills gaps or makes assumptions beyond the data it knows, producing content that is misleading or entirely false. In investing, this could mean incorrect market analysis, unreliable stock predictions, or fabricated financial data that appears credible.


While these errors aren't deliberate, they can still mislead investors who rely on AI without checking the facts.

Combine technology with expertise.

Choose an authorised investment professional for personalised advice. Prefer firms that respect data privacy, fairness, and transparency about AI use and carefully review any AI-related disclosures provided by platforms or service providers.


Building Digital Financial Resilience


Further to understanding new financial technologies and AI opportunities and threats, it's important to keep in mind the following:


 **Strengthening your digital financial literacy and critical thinking** is essential for making safe, informed decisions in today's fast-changing market. This means recognising



the **limits of new technologies** and approaching complex digital assets with caution. Algorithms can give misleading advice, scams can use AI-generated content to appear credible, and unregulated platforms may leave you without protection if something goes wrong.

 **Stay in control and avoid decisions driven by hype.** Treat claims of easy profits or celebrity-backed endorsements with scepticism. Be aware of how design features such as copy trading or gamified trading can influence behaviour, and that some online influencers may have hidden interests. Maintain a long-term approach built on diversification and disciplined decision-making. [Read more on the CySEC Investor Guide [“The dangers of social media: Unveiling the world of influencers”](#)]

 **Stay informed and think critically** when using digital platforms, robo-advisors or investment apps. These tools can help you invest but should never replace thorough research or professional guidance. Understand each product before committing funds and remember that technology cannot guarantee profits or protect you from fraud. [Read more on the CySEC Investor Guide [“Seven important questions to ask before investing”](#)]

 **Protect yourself from digital fraud** by verifying the legitimacy of platforms and professionals, questioning offers that seem too good to be true and avoiding pressure to act quickly. Keep your accounts secure with strong passwords and two-factor authentication, and rely on regulated, trustworthy sources rather than unverified online content. [Read more on the CySEC Investor Guide: [“How to stay one step ahead of scammers”](#)]

Latest Findings on Digital Financial Literacy in Cyprus

According to the latest data from the OECD report “*Financial Literacy in Cyprus*” (2025), digital financial literacy remains worryingly low. The average score among people aged 15–79 is **44/100**, and only **10%** reach the benchmark of **70/100** to be considered digitally financially literate. Check Table 1 for the Digital Financial Literacy Gaps identified.

These findings show that most consumers in Cyprus are not adequately prepared to navigate today’s increasingly digitized financial environment. Low digital literacy increases vulnerability to scams, data theft and poor financial decisions. Improving this knowledge is critical to help consumers adopt financial innovations and modern tools **safely, effectively**, and to their long-term benefit.

Table 1 – Digital Financial Literacy Gaps [OECD, 2025]

Knowledge gaps	Only 15% of respondents know that personal data shared publicly online can be used to target them with tailored commercial or financial offers.
	Only 18% understand that crypto assets are not legal tender like banknotes and coins.
Behavioural gaps	67% report that they never or rarely change passwords used on websites for online shopping.
	Only 31% say they always or very often check whether an online financial services provider is regulated in Cyprus before purchasing a product.
Attitudinal gaps	Only 50% believe it is unsafe to shop online using public Wi-Fi.
	Just 64% consider it important to read terms and conditions or check website security before making an online transaction.
Fraud vulnerability	17% of adults report having been victims of financial scams or fraud in the past two years.
	Of those victims, 85% did not reach even the basic level of financial literacy.

Looking ahead

The financial world is becoming more digital, AI-driven, and innovation-led. This has great potential and gives consumers new opportunities to grow their wealth and access



services but it also carries new types of risks.

Smart navigation in this world is not about convenience alone; it requires consumers to stay informed, vigilant and digitally literate while maintaining long-term, disciplined financial habits.

CySEC encourages all consumers in Cyprus to strengthen their digital financial literacy, adopt safe online behaviours, and make decisions aligned with their financial goals and risk tolerance. In an era of rapid technological change, digital financial knowledge and critical thinking remain your most powerful safeguards. ■

Notes

The Investor Guides are part of the Cyprus Securities and Exchange Commission's (CySEC) programme, which aims to inform, educate, and protect the public and investors. To learn more, visit CySEC's [Financial Education Hub](#)

For further guidance on the opportunities and risks of Artificial Intelligence in investing, you can consult the ESMA Warning on Artificial Intelligence [here](#)

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